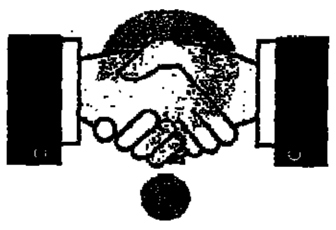
FINANCIAL TIMES

Start the week with...

Three Gorges

China's $30bn Yangtse dam

Tony Walker, Page 17



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Winnowing out the losers

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World Business Newspaper http://www.FT.com MONDAY FEBRUARY 17 1997

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FT Mastering Enterprise

Part Twelve: Sustaining entrepreneurship

Pilots angry as Clinton orders halt to air strike

American Airlines was facing the threat of further confrontation with its pilots after President Bill Clinton ordered them back to work, ending a strike less than half-an-hour after it began. Mr Clinton's move under emergency powers left the pilots bitter. The government estimated a strike would cost the US economy $200m a day. Page 18

South Korea posted a record current account deficit of nearly $24bn in 1996. The deficit, the second largest after that of the US, is blamed on plunging prices of key export products. Page 4; Attack on defector, Page 4

US secretary of state Madeleine Albright is urging European allies swiftly to remove any obstacles to Nato enlargement. Page 4

Yasuo Hamanaka, former chief copper trader of Sumitomo Corporation, goes on trial in Japan today on charges arising from unauthorised copper trading which Sumitomo says cost it $2.6bn. Page 18; Deals that shook the market, Page 6

Chicago, New York and Paris futures exchanges are discussing a technology sharing deal that could unite many of the world's derivatives exchanges on a single screen and make products available around the clock. Page 21

German chancellor Helmut Kohl says he is determined to overcome the country's economic difficulties and carry through structural reform, heightening speculation he will run again for election. Page 2

Investment bank SBC Warburg has surprised rivals by agreeing to advise the Mexican government on airport privatisation for a fee a fifth the size of what others planned to charge. Page 19

Deutsche Post plans resisted: Plans to end the German post office's monopoly powers before its expected partial privatisation have provoked a strong backlash from unions. Page 2

Gore tours Mandela jail in SA visit:

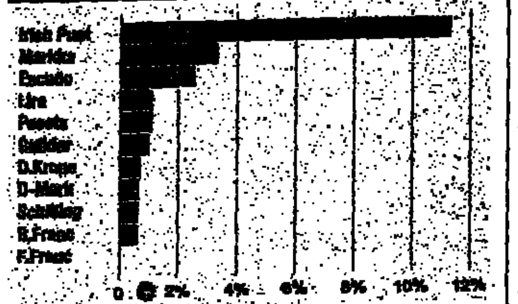
US vice president Al Gore (left) and South African deputy president Thabo Mbeki tour cells on Robben Island where once SA president Nelson Mandela was imprisoned. Mr Gore was on a three-day visit to South Africa to widen co-operation between the countries. He was also raising the proposed $650m sale of a tank firing control system to Syria which has angered the US.

Gold deal agreed: New Orleans-based Freeport-McMoran Copper and Gold will lead the development of the vast Busang gold deposit in Indonesia. Page 19

UK foreign secretary Malcolm Rifkind failed to sway Hong Kong's future leader, Tung Chee-hwa, on plans to amend laws on civil liberties. Page 4

European Monetary System: The German D-Mark strengthened slightly within the EMS grid towards the end of last week, as the D-Mark gained ground against the higher-yielding currencies. The Italian lira fell back, as concerns over its likely membership of the first wave of monetary union depressed the currency.

EMS: Grid February 14, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Pact set to boost world telecoms

WTO deal expected to cut prices heavily as 68 countries pledge to open markets

By Frances Williams in Geneva and Alan Cane in London

Nearly 70 countries have agreed a pact to liberalise telecommunications markets that is expected to boost sales and investment in the $600bn-a-year industry and slash costs for consumers.

The deal, concluded late on Saturday at the World Trade Organisation in Geneva, could cut the cost of international telephone calls by more than 80 per cent.

Ms Charlene Barshefsky, acting US trade representative, said it was "one of the most important trade agreements for the 21st century", spurring prosperity and opportunity around the world as well as benefiting US companies, workers and consumers.

Under the pact, 68 countries accounting for more than 90 per cent of world telecoms revenues have pledged in varying degrees to open their markets to foreign competition, allow overseas companies to buy stakes in domestic operators, and to abide by common rules on fair competition in the telecoms sector.

"We are celebrating a very important victory today," said Renato Ruggiero, WTO director-general.

Most of the world's biggest markets, including the US, European Union and Japan, will be fully liberalised by January 1 next year when the agreement comes into effect. All forms of basic telecommunications services are covered, including voice telephony, data and fax transmissions, and satellite and radio communications.

Sir Leon Brittan, EU trade commissioner, said the accord would act as a catalyst for the European economy and was "a major step in the creation of the information society".

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Telecommunications operators in the US and UK, where competition is already well developed, also welcomed the deal.

The deal is expected to lead eventually to a significant fall in the cost of telephone calls as competitors move into markets previously dominated by state-owned monopolies. "We estimate that the average cost of international phone calls will drop by 80 per cent," Ms Barshefsky said.

As the US has among the lowest international call charges in the world the gains for consumers elsewhere could be even more dramatic.

Trade diplomats had to wait until close to the midnight deadline to hear whether the US was ready to join the deal. It dropped out of a previous accord last April because it was not satisfied with pledges from other countries. But by Saturday, 44 governments had improved their offers and 23 new offers had come in.

Nevertheless, US negotiators applied pressure until the last possible moment to secure better commitments from trading partners, especially its neighbours Canada and Mexico.

AT&T, the largest US operator, said the deal was "an important step toward fully competitive global markets". Although the company regretted that not every country had gone far enough in opening markets, it believed "the US negotiating team went above and beyond to ensure that the interests of US industry were understood and reflected in this agreement."

The role of Ms Barshefsky in securing the deal is expected to go a long way towards winning confirmation of her

Continued on Page 18

WTO chief Renato Ruggiero uses two mobile phones during talks on a global telecoms pact Reuter

Canadian companies to form top newsprint producer

By Bernard Simon in Toronto

Canada's Abitibi-Price and Stone-Consolidated have agreed to merge, creating the world's biggest newsprint producer with annual sales of almost C$5bn (US$3.7bn).

The deal reflects intensifying pressure on North American forest products groups to rationalise in the face of a slump in pulp and paper prices.

Newsprint producers recently delayed a 15 per cent price rise due on February 1.

The combined company, to be known as Abitibi-Consolidated, will have a market value of about C$4bn. It will operate 18 paper mills in Canada, the US and UK.

Abitibi has been through a sweeping reorganisation since being seized in 1992 by creditors of Olympia & York, the defunct property developer which was previously its controlling shareholder.

"Abitibi is still not the low-cost producer it had hoped to be," one analyst said. The merger is expected to save more than C$100m in annual costs.

North American pulp and paper producers are facing intense competition from low-cost operators in Asia and Latin America.

The commodity-grade newsprint sector is seen as especially vulnerable, squeezed between rising output and stagnant demand. Steep price rises in 1994-95 encouraged many newspapers to cut newsprint consumption.

Consolidation has already taken place on a large scale in Europe. Abitibi-Consolidated will have a combined newsprint capacity of about 3.9m tonnes, compared with 1.8m tonnes at Finland's UPM Kymmene, the biggest European producer.

The merger will take the form of a tax-free pooling of interests, with each Abitibi-Price share exchanged for one

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UK may delay Eurofighter missile project

Move to postpone award of $1.4bn contract would prolong the uncertainty for Hughes

By Bernard Gray in London

Britain's Ministry of Defence is considering postponing a £900m ($1.46bn) missile programme to provide the main weapons system for the Eurofighter aircraft.

The possible delay prolongs the uncertainty for Hughes, the US aerospace company recently acquired by Raytheon. For the past year, the company has fought for the contract against a consortium of European aerospace companies led by British Aerospace.

Any such delay could mean Eurofighters are delivered to the British Royal Air Force before their main armament becomes available. A decision to postpone the awarding of the missiles contract would remove the political embarrassment for the British government of having to choose between a British and US supplier in the run-up to a general election, which has to be held before the end of May.

No final decision has been taken on the fate of the contract, which was due to be awarded by the early summer. But the MoD is now considering a one-year postponement of the programme, which would be used to conduct further research into the technologies offered by the bidders.

A final decision on whether to delay the programme will be made by ministers soon. The MoD is thought to be uncertain about some aspects of the designs offered by both sides for the state-of-the-art missile.

To reduce the risk of problems, and to identify a clear winner, the MoD is proposing to pay each team £5m for a one-year research programme to flesh out their proposals.

While the delay may reduce the risk of serious technical problems with the programme, it is likely to mean the weapon is not ready by the time the first Eurofighters are available for RAF service.

The competition over the Future Medium Range Air-to-Air Missile (Fmraam) contract already risked delaying the full introduction of Eurofighter, as it was only started very late in the Eurofighter programme when it was realised existing missiles would not be able to defeat the latest Russian aircraft.

Fmraam is of huge significance to Hughes and BAe, and is a contentious political issue between the UK and the US. Hughes dominates the world market for such long-range dogfight missiles with its Advanced Medium Range Air-to-Air Missile (Amraam). The market for these weapons is worth many billions worldwide, and Hughes is keen to prevent a competitor to its Amraam missile emerging. BAe, by contrast, is keen to break into the market.

The missile is politically sensitive because British ministers have been trying to gain access to the US missile market, to mirror the open procurement policy of the UK. However, last December the US refused to buy BAe's short range dogfight missile for its Navy jets, and there is pressure for retaliation.

Arming Eurofighter with a US weapon could also inhibit export prospects, because the US would have a veto over the re-export of its primary weapons system.

Brussels to shame EU states over single market rules

By Emma Tucker in Brussels

Plans to shame European Union countries into complying with single market rules through scrutiny by member states are being drawn up by Mr Mario Monti, the EU's single market commissioner.

He wants to heighten awareness of member states' successes and failures by publishing a regular "score board" of distortions to the single market. This will cover a wide range of statistics, from levels of state aid to the number of complaints brought by citizens and businesses.

"If member governments do not like the adverse publicity that could arise from such transparency measures, the answer is very simple – they just have to make sure that they respect the rules and correct violations if they arise," said Mr Monti.

The move is in response to concerns that member states are backsliding on their single market obligations, focusing instead on preparations for economic and monetary union.

Mr Monti believes countries have been getting away with poor compliance records because there has been no systematic presentation of performance records.

He is keen to focus on Germany and France – some of the worst compliers with single market legislation.

"It would only be normal to expect from those member states, which are the driving forces of integration altogether and economic and monetary union, in particular to be showing the way," he said.

He will present his proposals to European heads of government at the Amsterdam summit in June.

In Finland, Austria, Italy, Germany and Greece, more than 10 per cent of EU directives aimed at ensuring the free movement of goods and services have not been put on the national statute books. Only Denmark and the Netherlands come close to meeting their obligations.

Some members are using national standards in areas such as safety and the environment to protect domestic manufacturers from foreign competition. Germany, for example, refuses entry to Spanish baby foods because they contain high levels of pesticide.

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NEWS: EUROPE

Kohl comments fuel leadership fires

By Ralph Atkins in Bonn

Chancellor Helmut Kohl made clear at the weekend his determination to overcome Germany's economic difficulties and see through significant structural reform – heightening speculation that he will defy suggestions of a leadership change and run again for election in autumn 1998.

However, Mr Kohl, who has been chancellor for more than 14 years, said a decision on whether to seek office again would only be taken "at a time I consider appropriate". Government officials said suggestions that he had already decided to run were "pure speculation".

His comments came amid some optimism within the government that the chancellor will succeed soon in striking a deal with the opposition Social Democratic party (SPD) allowing significant parts of planned tax reforms to be introduced a year early, in 1998.

Mr Kohl has agreed to talks with Mr Oskar Lafontaine, SPD leader, starting a week today. Parts of the package have to be approved by the opposition-dominated upper chamber of parliament.

In an interview with the Frankfurter Allgemeine newspaper, Mr Kohl listed tax cuts as one of the "additional clear signals" needed to show Germany was becoming a more attractive place for investment.

Agreement with the SPD appears possible on tax cuts for lower- and middle-income households and small to mid-size businesses. SPD leaders also indicated at the weekend that resistance within the party to cuts in the highest rate of income tax might soften if the overall package was seen as creating jobs. But government plans to finance cuts through higher value added tax, and to levy income tax on hitherto exempt Sunday, night and holiday working, remain sticking points.

Germany's high unemployment, which reached 4.66m in January, has heightened tensions within the Bonn coalition and raised a question mark over whether the government can meet the budget deficit criteria necessary for European economic and monetary union.

That has increased pressure on Mr Kohl to assert his leadership and make clear whether he will fight the 1998 election. In his interview, Mr Kohl said implementing reform was fundamental to Germany's future and he was determined to make his contribution.

On his future candidacy as chancellor, Mr Kohl said a decision would be taken with family and friends but "I know my duty, and need no private tuition."


More than a hundred people were arrested in Berlin at the weekend after violent clashes between right- and leftwing militants over a rally for jobs. Employment and immigration in Germany have become sensitive issues, particularly for youth groups. *Reuter*

Deutsche Post plans meet stiff resistance

By Ralph Atkins in Bonn

Plans to end the German post office's monopoly powers before its expected partial privatisation have provoked a strong backlash from unions – and from Deutsche Post itself.

A meeting of government leaders tomorrow to thrash out the shape of the proposed new post law comes after a series of disruptive protests at the weekend by counter and delivery staff which are expected to culminate in a demonstration today in Bonn. Union leaders fear proposals from the Free Democratic party, the junior member of Chancellor Helmut Kohl's coalition, for earlier than planned liberalisation will lead to massive job losses.

Meanwhile, Deutsche Post has warned that the shape of the new regulatory structure could have a significant impact on the value of the company before 25 per cent of it is sold around 1999.

A leaked position paper points out that Deutsche Post is saddled with pension liabilities dating from its time as a public authority and that it risks being exposed to competition without proper consideration being given to the impact of its legal obligations to provide postal services across Germany. It fears market entrants will cream off the most lucrative services, for instance in big conurbations. For Deustche Post, "the duty to provide an extensive branch network and a frequency of delivery that is not in line with demand will lead inevitably to a loss of market share," the paper says.

It is not clear whether agreement will be reached tomorrow on the new post law to replace regulations which expire this year.

Mr Wolfgang Bötsch, the post and telecommunications minister, has proposed that Deutsche Post should retain for five years an exclusive licence for letters under 350g. That would help assuage its concerns, but the FDP is pressing for full liberalisation at an earlier date, although it also suggests a transitional period during which the company would have control over letters up to 50g.

Deustche Post has already seen its monopoly powers eroded: since 1995, the market for the bulk mailing of letters over 250g has been opened up to competitors and this year the limit has fallen to 100g.

Bossi tones down demands for secession

By Robert Graham in Rome

Italy's populist Northern League wound up a three-day congress yesterday soft-pedalling on previous demands for the secession of the land it calls "Padania".

While still calling for the secession of the north of the country from the rest of the Italian state, Mr Umberto Bossi, the League leader, was careful to keep open the possibility of dialogue with other political parties, either in the centre-left government or among the right-wing opposition.

The congress in Milan was dominated by a huge poster which showed a rocket, marked "Padania", taking off from "the Italian bog".

This emotive image was backed up by much fiery rhetoric about the rich industrial north being held back by a corrupt government in Rome. But Mr Bossi's long, rambling speeches were ultimately masterpieces of ambiguity, as he coined a new phrase: "consensual secession".

No government for the foreseeable future would contemplate the creation of an independent Padania by mutual agreement. Mr Bossi knows this full well, but he wants to keep the secession issue alive without burning all his bridges with Rome.

He is also aware that the secession issue will become explosive only if or when Italy is excluded from the core of countries forming the planned European single currency.

However, having set up a provisional government and declared the formal independence of Padania last September at a ceremony in Venice, he risks losing credibility if his project remains purely symbolic.

Preparations are under way to stage an independence referendum on April 20. The poll result could backfire and the real aim may be no more than to provoke the authorities to intervene and prevent a "democratic" referendum.

Mr Bossi's ambivalence at the congress underscored the two strands within the League: a small hard core, who genuinely espouse the idea of an independent Padania; and the bulk of the supporters, who are afraid that Mr Bossi's extremism will marginalise the League.

The League also has to decide whether to forge alliances in local elections this spring. If it stands alone, it will see its influence drastically reduced and will almost certainly lose key cities such as Milan, which it currently controls.

The League will also come under pressure from a new political movement formed over the weekend to defend the interests of the rich northeast – Friuli and the Veneto. Headed by prominent businessmen such as Mr Mario Cararro, former head of the Veneto industrialist association, and local politicians including Mr Massimo Cacciari, the charismatic philosopher mayor of Venice, the Northeast party could also be a threat to all the other main parties.

Dark clouds start to threaten Andorra's place in the sun

The tiny Pyrenean state finds it is no longer isolated from the problems of the outside world, writes Andrew Jack

If it only had a runway, Andorra, could easily be mistaken for an airport. Transit passengers flock to buy duty free goods in the Pyrenean mountain state's glamorous boutiques.

The jewellery and perfume shops, luxury cars, and ubiquitous portable phones all give the impression of a state – politically outside but geographically cocooned by the European Union – far removed from the difficulties faced by its neighbours.

But Andorra's electors went to the polls yesterday against a backdrop of growing tension. The number of visitors has fallen sharply in recent years, unemployment is being discussed for the first time, and the changing structure of Europe is threatening many of the qualities which explained the principality's past prosperity.

Mr Marc Forné Molné, the outgoing prime minister, cites the traditional importance to the economy of smuggling – a skill subverted to a good cause during the second world war, when his father helped organise a network for the Allies to help Polish soldiers escape from occupied France.

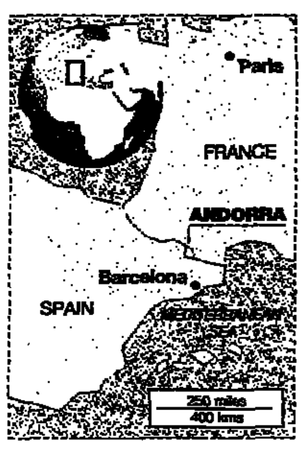
Since that time, as so often throughout its 719-year history, Andorra has deftly shifted with the times. In its constitution, only approved in 1993 and which created a democratic parliament for the first time, it chose to retain its unique system of co-princes – the bishop of the nearby Spanish town of Urgel, and the president of France.

But, while the franc is accepted alongside the peseta, and both neighbouring countries' post offices operate (in exchange for levying no charge for mail delivery within the country), Andorra has long been oriented to the south more than the north, reflecting both easier physical access and the corresponding dominance of Catalan culture.

The boom it experienced from the 1950s was initially fuelled by sales to the Spaniards of goods not available to them under the Franco regime, or which were too expensive as a result of heavy tariffs – impositions from which Andorran traders were exempt. "Once Spain became a member of the European Community, we had a problem of competitiveness," says Mr Oscar Ribas Reig, a former head of the government.

In part, it has been able to continue selling goods cheaply because it does not levy the heavy value added taxes imposed by its neighbours. The principal lure today are goods subject to heavy excise duties in France and Spain – notably alcohol, tobacco, perfume and petrol – while other traders play on low margins and a captive clientele to sell other products such as jewellery and electrical goods.

In theory, a customs treaty with Brussels signed in 1991 should have waived tariffs on industrial goods to and from Andorra. In practice, exports are exempt from charges, while imports still carry modest tariffs which provide three-quarters of the state's revenues, and have allowed it to maintain its sacrosanct policy of levying no income or corporation taxes.



Yet the outlook is gloomy. With the nearest airports three hours' drive away and the local roads in poor condition – blocked by snow in winter and long traffic jams in summer – Andorra is losing some of its charm.

It has suffered from the economic downturn affecting both France and Spain in the past few years. It is now also threatened by the growth in the number of low-priced hypermarkets across the borders. "We can't continue like this," says Ms Pilar Escaler Penella, director of the Chamber of Commerce. "The Andorran economy has to diversify."

Statistics are difficult to obtain, but some officials suggest the annual number of visitors has dropped in recent few years from 12m to nearer 9m. As spending has fallen, shops have closed and import tax revenue has declined. Since the end of the 1980s, the government has accumulated a deficit of Pta22bn ($156m).

The five local banks, shielded from foreign competition at least until the end of this year, have continued to prosper, partly on the back of tax exiles and discreet deposits from Spaniards who want to place their savings out of reach of tax inspectors.

The banks agreed to a collective "loan" at a very low rate of interest to the government to cover its deficit. And Mr Forné's administration claims to have balanced the budget for 1996, although his political opponents say he has done so at the cost of deferring necessary investment.

Most of the politicians in the four parties competing to be in Andorra's new government acknowledge the need to diversify, and argue for a gradual opening of the economy to foreign investors, who cannot currently control currently more than a third of any company.

Some even admit that they may even have to break a taboo and introduce new taxes. They also hope for more assistance from Brussels. "If the EU wants to maintain the independence of Europe's mini-states, it has to offer them a special status," says Mr Reig.

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Impact of Spain truck drivers' strike fading

By David White in Madrid

Leaders of Spain's 11-day-old truck drivers' strike movement held a second day of tough talks with government officials yesterday, but the impact of their action seemed to be fading.

The strike committee of the militant transport federation Fedatrans, the main organisation behind the movement, called on King Juan Carlos to intervene to settle the dispute.

The organisation rejected an outline pact reached earlier between the government and the National Road Transport Committee, grouping other representative bodies in the sector.

The government has offered to meet one of the main demands – lower diesel prices – by allowing transport co-operatives to buy fuel direct from oil companies. But this scheme has sparked a further dispute with a threat by petrol station owners to stage their own strike over the loss of business.

In addition, the government has offered assistance for drivers seeking voluntary retirement. But it has opposed the strikers' demand for a reduction in the basic retirement age from 65 to 60, with an option of early retirement at 55.

One of Spain's main taxi drivers' unions, the Taxi Confederation, has aligned itself with the protesting truckers, and announced a stoppage for today.

Officials said road traffic flowed more freely in most of Spain yesterday, including the French and Spanish borders. Northern regions have suffered the most because of the strike, which has caused production stoppages at numerous factories including car and commercial vehicle plants.

Ford, Opel, Renault, Citroën, Volkswagen-Seat, Mercedes-Benz and Nissan are among the manufacturers hit over the last few days by blocked supplies. Spanish farm organisations reckoned the strike had already cost the sector Pta25bn ($176m).

Fedatrans claims to represent almost 50,000 self-employed drivers in various regional bodies, but this figure is dismissed as grossly exaggerated by other organisations in the sector. Leaders of Fedatrans, accused by the government of being "a violent and radical minority", have denied links to Herri Batasuna, the extreme Basque coalition, or LAB, its union ally.

INTERNATIONAL NEWS DIGEST

Kuchma sacks two ministers

Ukraine's President Leonid Kuchma has launched a "clean hands" anti-corruption crusade by sacking two ministers and hinting at further action. The agriculture and deputy transport ministers lost their jobs on Friday night for alleged financial mismanagement.

In a speech at the weekend, Mr Kuchma acknowledged the growing chorus of complaints that corruption was deep rooted. He also spoke of a letter from Mr James Wolfensohn, the World Bank president, blaming corruption in Ukraine for low levels of foreign investment. He attacked the coddling of local companies involved in agriculture and energy, where the government retains a wide unofficial remit. "Why are these areas sacred cows?" he asked. This was interpreted as an attack on his prime minister, Mr Pavlo Lazarenko, who has close ties with businesses in both sectors. Their relationship has been strained in recent months.

Mr Kuchma won office in 1994 promising to tackle corruption, but no cases have been brought to trial and the president admits that the effort has been a failure. *Matthew Kaminski, Kiev*

Funds take fresh look at Kiev, Page 24

Serb marches called off

Serbia's opposition has called off three months of daily street protests after the government caved in and recognised its victories in local elections last November.

Leaders of the Zajedno (Together) coalition told a rally in Belgrade on Saturday night that the next battle would be to end state control over national television and radio and to ensure fair conditions for parliamentary and presidential elections due by the end of this year. Some demonstrators expressed their disapproval by whistling during the speech by Mr Zoran Djindjic, head of the Democratic party.

The opposition are taking control of councils in 14 cities and towns and eight Belgrade municipalities. However, they inherit few real powers, just empty coffers and dilapidated infrastructure. Zajedno plans a street party on Friday when the new opposition-dominated Belgrade city assembly meets for the first time. Mr Djindjic is expected to become mayor. *Guy Dinmore, Belgrade*

New round of talks in Israel

Israeli and Palestinian negotiators yesterday began a new round of talks near Jerusalem. Overseeing the meeting were Mr David Levy, Israel's foreign minister, and Mr Mahmoud Abbas (Abu Mazen), the senior Palestinian negotiator.

On the agenda are long overdue issues including establishment of a "safe passage" through Israel for Palestinians travelling between the self-ruled Gaza Strip and the West Bank, and construction of an airport and port in Gaza. Negotiators are also trying to build confidence before "final status" talks begin next month.

Before yesterday's talks, the two sides exchanged threats over Jewish settlements in occupied territories. Mr Yassir Arafat, president of the Palestinian Authority, said Israel would endanger the peace process if it built more settlements. Mr Yitzhak Mordecai, Israel's defence minister, said the Palestinians were not fulfilling their peace commitments. *Avi Machlis, Jerusalem*

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Zimbabwe raises tariffs

Prospects for an agreement on a new International Monetary Fund programme for Zimbabwe received a setback when the government announced a new tariff structure which is at odds with World Bank policy on trade liberalisation. A "rationalised" tariff structure that cuts duties on capital goods, raw materials and intermediate goods, while raising them on some finished goods will come into effect in Zimbabwe from March 1.

The most controversial aspect is the increased protection for local industry, with the rate on finished goods rising from zero-85 per cent to a starting rate of 40 per cent and a normal top rate of 85. Certain sensitive industries including clothing and textiles, batteries, electronic goods and luggage, as well as some agricultural products, will enjoy tariffs above the "maximum".

Capital goods which previously attracted duties of zero-25 per cent will now be zero rated, while the tariff on spares and partly processed inputs is cut from the zero-56 per cent range to a flat 15 per cent. Intermediate goods and consumables, previously zero-35 per cent will now pay 20-30 per cent. *Tony Hawkins, Harare*

Duisenberg backed by George

Mr Eddie George, governor of the Bank of England, says in an interview published today that he supports Mr Wim Duisenberg (pictured left) of the Netherlands as a candidate for the top job at the European Central Bank when it is planned to start operating, along with the single currency, on January 1, 1999. "I have to tell you that Wim Duisenberg would make an absolutely first class European Central Bank president," he told the German economic magazine Capital. "Among central bank governors there is no doubt that Wim Duisenberg is an ideal candidate for the position," he said.

He refused to comment on reports that France and Germany secretly agreed in 1993 to give the presidency to a French candidate. "It is most unfortunate that such speculation about secret agreements should arise at a time when Wim Duisenberg is about to become president of the European Monetary Institute [the precursor of the central bank]," said Mr George. "That could weaken his effectiveness as president of the EMI." *AFP, London*

Swiss image hurt 'for years'

Switzerland's new ambassador to the US, Mr Alfred Defago, said yesterday it would take years to repair his country's image after the furore over Swiss behaviour during the second world war. His predecessor, Mr Carlo Jagmetti, stepped down after saying the country was faced with waging war against its US and Jewish detractors. US congressmen and Jewish leaders have accused Switzerland of holding on to funds deposited by German Jews who later died in Nazi camps and acting as a conduit for gold stolen by the Nazis from occupied countries. In New York last Friday, however, important participants in the row publicly declared an end to their confrontation. *Reuter, Geneva*

Bulgarian party in poll pledge

Bulgaria's opposition Union of Democratic Forces, favourite to win general elections on April 19, will hold a US-style primary election for representatives in the next parliament. "People want trustworthy politicians and we will try to fill gaps in the current electoral law by holding internal primary elections," said its deputy chairman.

In a two-day convention which ended on Sunday, the UDF decided to register as a single party and said it would immediately negotiate election coalitions with its partners. *Reuter, Sofia*

NEWS: WORLD TRADE

FT writers assess the end of three years' talks on liberalising world telecommunications markets

US, EU vie for credit on telecoms

By Frances Williams in Geneva

Applause and smiles of delight and relief from negotiators greeted the successful conclusion on Saturday evening of nearly three years of World Trade Organisation talks to liberalise global telecoms markets.

"We are celebrating a very important victory today," a beaming Mr Renato Ruggiero, WTO director-general, said afterwards, as the US and the European Union vied with each other to claim credit for the final deal.

By any standards, the accord is an impressive one. The 68 governments which signed up on Saturday represent over 90 per cent of world telecoms revenues, a $600bn market that is expected to double or triple over the next 10 years.

The agreement will open up the bulk of the global market for telephone and satellite services to foreign competition – from next year for the main industrialised countries, with almost all the others committed to following within a few years.

According to Ms Charlene Barshefsky, acting US trade representative, the pact will give US and other foreign companies access to nearly 100 per cent of the world's 20 biggest telecom markets, compared with 17 per cent now.

Services covered by the agreement include international and domestic telephone operations, fax and data transmission, private leased circuit services, satellite communications, mobile telephony and paging.

In many countries foreign-owned companies will be able to build their own facilities to compete with established operators, as well as to enter the re-sale business with guaranteed interconnection rights.

Foreign companies will also be able to take significant stakes in domestic telecoms companies (up to 100 per cent in all or some services) in the most important world markets.

In addition, for the first time in a WTO negotiation, 65 countries have adopted common rules to ensure fair competition in their telecoms markets that will be enforceable through the WTO's dispute settlement mechanism.

These rules commit signatories to establishing independent regulatory bodies, guaranteeing interconnection with existing networks at fair prices, forbidding cross-subsidisation and other anti-competitive practices, and guaranteeing transparency in government regulation and licensing decisions.

The benefits to the telecoms industry and to business and consumers more generally are commensurately far-reaching. The Washington-based Institute for International Economics estimates that increased competition could cut telecoms bills by up to $1,000bn over the next decade or so – equivalent to 4 per cent of world GDP. Quality and choice of services will be immeasurably improved.

As both Ms Barshefsky and Sir Leon Brittan, EU trade commissioner, noted at the weekend, the deal will also spur development of the "global information highway" that increasingly provides the basic infrastructure for doing international business.

Liberalisation under an agreed set of rules can moreover be expected to boost foreign investment in modernising and expanding the telecoms network in developing countries, whose telecoms capital requirements are put by the World Bank at $60bn a year.

In turn, Mr Ruggiero points out, these countries will acquire access to knowledge and information-based technologies that are "the raw material of growth and development". Even now, as the 21st century approaches, more than half the world's population has never made a telephone call.

Finally, the accord has helped to strengthen the multilateral system by showing that the WTO can successfully forge international pacts, even in complex and difficult sectors, without a comprehensive and even longer trade round.

This augurs well for agreement next month on eliminating tariffs on information technology (IT) products, including telecoms equipment, and for talks on the huge financial services sector that are due to conclude by end-December.

The US said on Saturday it would continue to press for better market-opening pledges before the WTO agreement takes effect next January 1. But, notes Mr Ruggiero, that "is not the end of the road". In less than three years' time, negotiators will be back again for a new round of talks on services – and telecoms will be high on the agenda once again.

Sir Leon Brittan in Geneva: deal will be spur for global information highway Reuter

HIGHLIGHTS OF THE DEAL

- The three biggest markets – the US, EU and Japan, which between them account for 75 per cent of world telecoms revenues – will be completely open to domestic and foreign competition from 1998.
- There are delays for EU members Spain (December 1998), Ireland (2000) and Portugal and Greece (2003), while Japan is restricting foreign equity to 20 per cent in its two principal carriers, KDD and NTT.
- Canada and Mexico have liberalised their market, though neither conceded to US pressure for foreign majority shareholding. Mexico raised its foreign equity limit to 49 per cent and Canada to 46.7 per cent.
- Several Latin American countries are committed to wide-ranging liberalisation within the next few years. Argentina pulled its offer off the table at the last moment for technical reasons but is expected to join later.
- Eastern European nations have pledged liberalisation from 2000 (Czech Republic) to 2005 (Bulgaria).
- Asian nations generally put in poor offers (Singapore, the Philippines and Hong Kong being notable exceptions) but most plan more liberalisation in the future. Some, such as Malaysia and India, currently allow more foreign investment than they have guaranteed in the WTO.

Boost for Barshefsky

Performance of acting US trade representative should please the Senate, writes Nancy Dunne

The role of Ms Charlene Barshefsky, the acting US trade representative, in delivering what she called "one of the most important trade agreements of the 21st century" should go a long way towards winning confirmation of her appointment by the Senate.

It has been almost 10 months since Ms Barshefsky was appointed to succeed Mr Mickey Kantor, but approval of her nomination has been delayed partly because she once advised the Canadian government – and new rules say trade representatives cannot have worked for foreign governments.

The delight of US industry groups at her role in the conclusion of the global telecommunications pact in Geneva at the weekend can only help her.

Mr Harris Miller, president of the Information Technology Association of America, was so "excited" over the deal that he arrived at Ms Barshefsky's press conference in a tuxedo. "It will turn the global village into the international marketplace," he said. "We will see the explosion of the Internet throughout the world."

"Seven or eight years ago nobody thought this was possible. Even the notion of having telecoms included in the World Trade Organisation was disputed," said Mr Harry Freeman, one of the earliest trade lobbyists to push for the Uruguay Round of liberalisation talks.

Clearly the US did not get all it wanted. Although Japan made a "good offer", Ms Barshefsky said at the weekend, its continued limits on foreign investment in NTT and KDD, two of the largest telecommunications service providers in the world, sent "a terrible signal to many countries around the world who hide behind Japan's restrictions as justification for their own".

However, the US had "maintained its right to look into the question of competitive distortion in evaluating applications for telecommunications licences", she said. KDD has applied to the US for such licences.

Ms Barshefsky had walked away from a telecommunications deal on the table last April. But in the end, she said, there was "no comparison" between the final agreement and what had been on offer 9½ months ago.

Then, offers had covered about 60 per cent of global telecommunications revenues, with the US share accounting for about 30 per cent, she said. The package agreed on Saturday encompasses about 95 per cent.

All the original offers had been "dramatically improved" and 23 additional countries had joined the pact, said Ms Barshefsky. Offers from the developing countries – where the greatest potential growth lies – were "very, very good", she said.

"Obviously they are not as good as our commitments, but from countries that all these years refused to make offers, we now have commitments."

Warm welcome for 'giant step'

By Alan Cane

Telecoms operators in the US and UK, where competition is already well developed, reacted with strong approval to news of the global telecoms agreement.

They looked forward to open competition, an end to the accounting rate system which artificially inflates the cost of overseas calls, and an more stable climate for investment.

It was, said AT&T, the largest US operator, "an important step toward fully competitive global markets". Although the company regretted that not every country had gone far enough in opening markets, it believed "the US negotiating team went above and beyond to ensure that the interests of US industry were understood and reflected in this agreement."

It went on: "These efforts are an important step in bringing accounting rates, an anachronistic system created in a monopoly era – down to cost, which will mean lower prices for consumers worldwide."

British Telecommunications, the fifth largest international operator, said it was still studying the details, but "it appears to offer almost every citizen the opportunity to experience the benefits of a competitive telecoms market".

Mr Larry Stone, BT's head of European Union affairs, said the agreement's regulatory reference paper, setting out guidelines for policing the world market, was particularly important, although it was far from clear how it would operate in practice.

While the deal did not specifically encourage BT's hopes of regulatory approval for its planned merger with MCI of the US, it was part of the "philosophical background" against which the deal could find approval.

US satellite phone operators, who had been criticised for the failure of last year's round of talks, were among the first to applaud the agreement yesterday.

Iridium, which will launch the first of its satellites this year, said: "The agreement is an important step towards achieving market access for telecoms companies working to expand operations beyond their national borders."

ICO, the Europe-based satellite phone company, said it was "a giant step towards open markets and fair competition worldwide and a major boost to the mobile satellite services industry."

WorldCom, the fourth largest US long-haul operator, and a new entrant in world markets, said: "The industry can now move forward in the knowledge that a global regulatory framework based on principles of fair competition will be established."

Global One, the supercarrier formed by Deutsche Telekom and France Télécom, said it could not comment specifically on the deal, but it was in favour of measures which promoted competition.

Key products hit by price plunge

Export setback gives Seoul record deficit

By John Burton in Seoul

South Korea had a record current account deficit of nearly $24bn in 1996.

The deficit is the second largest in the world after that of the US.

Central bank officials yesterday blamed plunging prices of key export products for the deficit of $23.72bn, which is equivalent to 4.7 per cent of South Korea's gross domestic product.

As a result of the slowdown in exports, the central bank estimated that GDP grew by 6.9 per cent in 1996 against 9 per cent in 1995, when the deficit amounted to $8.95bn.

Although South Korea hopes to reduce the 1997 deficit to $14bn-$18bn, the shortfall in January accounted for almost a quarter of this amount.

Export prices dropped 61 per cent for semiconductors, 15 per cent for chemicals and 8 per cent for steel products. These items accounted for nearly 40 per cent of total South Korean exports.

Total exports rose 4.1 per cent to $128bn against a 31.5 per cent increase in 1995. Sluggish global demand and a weak yen against the dollar contributed to the export slowdown.

Imports rose 12 per cent to $143.5bn, against a rise of 32 per cent the previous year, due to a slowdown in imports of capital goods and raw materials.

Capital goods and raw materials account for nearly 90 per cent of South Korea's imports, while consumer goods, which increased by 21 per cent last year, account for the rest.

The deficit in the invisible trade account more than doubled to $7.68bn from $3.64bn in 1995 due to a surge in overseas travelling and a rise in transportation costs.

Attack on defector was 'revenge'

By John Burton

South Korea yesterday claimed the wounding of a North Korean defector in a Seoul suburb on Saturday was a revenge attack by Pyongyang after a top North Korean official took asylum at the South Korean embassy in Beijing last week.

The shooting attack came as the opposition and media in South Korea warned the government against conducting a political "witchhunt" based on spy claims allegedly made by the defector in Beijing, Mr Hwang Jang-yop.

Mr Hwang allegedly told Seoul there were 50,000 espionage agents in South Korea, including one "very close to the centre of power".

The wounding of Mr Lee Han-yong, nephew of a former wife of North Korea's leader Kim Jong-il, is expected to raise inter-Korean tensions further following Mr Hwang's defection. Police think Mr Lee was shot as a warning that North Korea, which claims Mr Hwang was abducted, will not allow him to leave his Beijing sanctuary for Seoul.

Mr Lee had reportedly expressed recent fears about being attacked by North Korean agents, although he apparently did not ask for protection from the South Korean intelligence service, which supervises defectors.

Although he fled to South Korea in 1982, Mr Lee's existence was not made known until last year when he contacted newspapers to report that his aunt, believed to be the first wife of the North Korean leader, had defected to the west from Moscow, where she had been living in exile for more than a decade.

Although the report received wide publicity, South Korean officials later acknowledged it was probably false.

The latest events are expected to improve chances that the South Korean secret police, which has wielded strong political influence, will retain new domestic surveillance powers.

The new powers were contained in legislation that was forced through parliament in late December, but the law was recently resubmitted to parliament for possible amendment after President Kim bowed to public protests over its passage.

The timing of Mr Hwang's defection has been fortunate for the president, although the Korean media suggested Mr Hwang had been in contact with the Seoul government for the past year in arranging the defection.

The opposition has often alleged the government announces important defections to divert attention when there is a domestic political problem.

Mr Hwang's defection and the shooting in Seoul has pushed the Hanbo Steel loan scandal off the front pages in a convenient development for the government. Allegations that senior government officials were involved in the bribes-for-loans scandal had threatened to become the biggest political crisis of President Kim Young-sam's administration.

With prosecutors suddenly ending a three-week probe into what has been described as one of the nation's biggest corruption cases, the government has gone on the offensive against the opposition in what is a presidential election year.

Mr Kim Hyon-chol, the president's son, plans to file a libel suit today against the main opposition party for alleging he was involved in the Hanbo loan scandal. The allegations had threatened to weaken Mr Kim's control of the ruling party and his ability to choose a successor to his mandated one-term presidency.

Prosecutors said yesterday they would question Mr Kim Hyon-chol in connection with the loan scandal.

BIRTHDAY HONOURS FOR KIM JONG-IL

North Korea hailed its leader Kim Jong-il (right) as a god on his 55th birthday yesterday, but a shooting in South Korea and a diplomatic stand-off in Beijing cast the "Dear Leader" in a less than divine light, Reuter reports from Beijing. The cold war climate on the Korean peninsula chilled further after a prominent North Korean defector, Mr Lee Han-yong, was shot and seriously wounded near Seoul and South Korea blamed Pyongyang. Birthday celebrations for the Dear Leader, as Mr Kim is known in his Stalinist homeland, had been intended to smooth his formal accession to supreme power after the death of his father, the "Great Leader" Kim Il-sung, three years ago.

"The Great General Kim Jong-il is trusted absolutely, eternally and fully as if he were god," North Korea's official newspaper Rodong Sinmun said. "The Korean people regard him as their god because he defends the destiny of the motherland, nation and people." Pyongyang diplomats voiced cult-like adoration for the Dear Leader as they kept vigil outside the South Korean mission in Beijing where Mr Hwang Jang-yop, the most senior North Korean ever to defect, sought asylum five days ago.

Rifkind fails to sway HK's future chief

By John Ridding in Hong Kong

Mr Malcolm Rifkind, Britain's foreign secretary, yesterday failed to sway Mr Tung Chee-hwa, Hong Kong's future leader, on plans to disband the territory's legislature and amend laws on civil liberties. However, Mr Rifkind pledged to maintain pressure on the issues and to rally international support for his position.

Speaking in what is expected to be his final visit to Hong Kong before it returns to Chinese sovereignty at midnight on June 30, Mr Rifkind described the disputed issues as a "serious impediment" to a smooth transition. Mr Tung said he hoped Britain and the outgoing Hong Kong administration would change their stance and co-operate with the provisional legislature, which will replace the existing body.

After his first official talks with Mr Tung, the British foreign secretary struck a more positive note on prospects for continuity in the top levels of the administration. He said Mr Tung had indicated that there would be a "very substantial degree of continuity" with respect to the principal officers. "I hope there will be 100 per cent continuity," said Mr Rifkind.

Mr Tung is expected to announce his team of top officials within the next few days. The issue has taken on particular significance amid a series of disputes over Beijing's plans to water down the territory's Bill of Rights and to replace the existing elected legislature.

Attention has particularly focused on on whether Mr Tung retains Mr Donald Tsang as financial secretary. Mr Tsang, a vocal defender of Hong Kong's autonomy,

Malcolm Rifkind: 'Disputed issues a serious impediment to smooth transition'

has criticised Beijing's plans on the legislature and laws concerning civil liberties which tighten police powers over demonstrations. Mr Tung has backed China's line on the issues, stressing the need for stability but arguing that civil rights will not be undermined.

After his meeting with Mr Rifkind yesterday, Mr Tung said he would "listen very carefully" to other voices in deciding whether and how the laws at the centre of the dispute should be changed. But he gave little sign of a shift in his position.

"I have a set of values and beliefs that I hold on to very much," he said.

British officials said Mr Tung emphasised that his priority was to represent the people of Hong Kong and that he was not acting under China's direction.

Mr Rifkind cited growing international interest in Hong Kong's transition. "I am very pleased that the international dimension is not just passive but increasingly becoming active, particularly in the US," he said. "I believe it will grow."

China and Mr Tung oppose the internationalisation of the issue. Mr Tung has accused Hong Kong's Democratic party of damaging Hong Kong's interests by predicting pessimistic scenarios during a tour of Europe. Chinese officials warned at the weekend that international involvement in the transition could damage business confidence in the territory.

Fight over US foreign affairs budget increase

By Mark Suzman in Washington

A battle is brewing on Capitol Hill over President Bill Clinton's proposals to raise substantially the foreign affairs budget for the first time in nearly a decade.

The administration has called for a 6.7 per cent rise in the budget for international affairs and foreign aid to $19.45bn, but many Republicans argue that such a rise is unjustified at a time when so many domestic programmes are under threat.

The tensions have arisen as Mrs Madeleine Albright embarks upon her first foreign trip as US secretary of state, which is aimed at bolstering US influence with European and Asian leaders.

The administration's newfound desire to be a good international citizen by allocating funds for dues and arrears to the United Nations, the International Monetary Fund, the World Bank and the five regional development banks, is under particular attack.

Mr Clinton has made a budget request for $1.57bn for these bodies.

That would allow the US to pay its $234m in arrears to the World Bank's International Development Agency – which offers interest-free loans to the world's poorest countries – while meeting all current commitments to the regional banks.

Although the Clinton administration has been reluctant to take a stand on foreign affairs spending – an issue that does not enjoy widespread public support – Mr Robert Rubin, the treasury secretary, has joined the efforts to secure the higher allocations.

In a joint briefing shortly before Mrs Albright's departure, Mr Rubin singled out the money allocated for international institutions as "absolutely vital to our economic self-interest and our national security self-interest".

Mrs Albright has already made clear that she is not going to give in without a fight.

"Diplomatically we are steadily and unilaterally disarming ourselves," she warned.

"This trend cannot continue."

Albright eyes swift move to bigger Nato

Mrs Madeleine Albright, the new US secretary of state, will tomorrow urge her country's European allies to proceed swiftly with removing any obstacles to the enlargement of Nato, a cause in which she passionately believes.

A hastily organised meeting of ministers or deputy ministers from the 16-member alliance, arranged to coincide with her maiden visit to Nato headquarters, will be among the high points of an eight-nation tour of Europe and Asia.

US officials said Nato enlargement was the primary focus of the European leg of her journey. In a galvanising message to any remaining sceptics in the US Congress or elsewhere in Nato, Mrs Albright has said further delays in the enlargement process – due to be launched at a summit in Madrid in July – would create "tension and insecurity" in central Europe.

"It is not in our interest to delay or derail a process that is helping to build a reunited Europe," she added, indicating that she would give short shrift to any Nato ally sympathising with Moscow's demands for a slowdown.

Speaking to reporters travelling with her on her official jet, Mrs Albright stressed the issue of urgency: "We're on a very fast track here. We have lots of work to do before July," she said, adding that she would be taking new details of Nato's enlargement proposals with her when she meets Russian leaders in Moscow later this week.

But the secretary of state, who will also visit Tokyo, Seoul and Beijing after stops in five west European capitals, will need to tread a careful line if unity in the western camp is to be maintained.

France, while committed to Nato enlargement, has placed even greater emphasis than the US on the need to soothe Russian concerns and avoid triggering an anti-western backlash in Moscow.

Mrs Albright, anticipating Paris to be one of her trickier stopovers, has pledged to "develop points of convergence" with France, hoping the US and its "oldest ally" would gain more from co-operating than quarreling. But she also made plain she would give short shrift to anti-US sentiment in France or anywhere else. "Certain countries like to maintain the perception that America is arrogant in order to make themselves out to be victims," she told Le Monde.

Mrs Albright has complained several times that whatever it does in the world, the US is blamed – either for intervening too much, or else for failing to act as a leader. She has also made clear that she will err on the side of activism.

Mr Nicholas Burns, the State Department spokesman, has described the trip as a chance for Mrs Albright to "roll up her sleeves" and "get to work on the common agenda" faced by the US and its allies, starting with European security. "For those who are not allies but are friends – Russia and China, for instance – we want to identify a common agenda of areas where we can work together ... [and] manage our differences," he added.

Even with allies, however, Mrs Albright will need to tread carefully. Although she has pledged to give high priority to promoting religious freedom, she will seek to minimise the damage to US-German ties from the State Department's recent criticism of the treatment of Scientologists in Germany.

In London, too, she will devote part of her time to bilateral issues, including Northern Ireland.

The new secretary of state is due to discuss the issue when she meets Mr John Major, the British prime minister, though a separate meeting with the Northern Ireland secretary, Sir Patrick Mayhew, had to be cancelled due to scheduling difficulties.

That cancellation led to reports in the UK and Irish press of a rift between London and Washington, and a snub to Sir Patrick, reports which both UK and US officials described as "mystifying."

They said they were equally baffled by reports the new secretary state planned a dramatically different line on Northern Ireland from her predecessor, Mr Warren Christopher. "There is no imperative to adopt a new policy now," said one US official.

Bruce Clark and Patti Waldmeir

Madeleine Albright: further delays in Nato enlargement would create 'tension and insecurity' in central Europe Reuter

Mrs Madeleine Albright, US secretary of state, and Italian leaders made no progress yesterday on rows over Iran, Libya and Cuba but were in broad agreement on Nato expansion plans, Reuter reports from Rome.

The two governments agreed that a Nato summit to decide new members in July should go forward regardless of whether the alliance completes a charter with Russia defining a new special relationshop, officials said.

Mrs Albright acknowledged that "we covered some issues on which we did not have total agreement", including Iran, Iraq, Libya and Cuba.

Human life 'could be extended by 20 years'

By Clive Cookson in Seattle

The average human lifespan could be extended by at least 20 years if people cut their calory intake by 30 per cent, a leading researcher into ageing told the American Association for the Advancement of Science meeting in Seattle.

Dr George Roth gave the latest results of a long-term study on monkeys in his laboratory at the National Institute on Ageing. This is confirming the findings of earlier experiments with rats and mice – that "caloric restriction" slows down the ageing process.

If the effect works for monkeys, then it probably applies to humans too, Dr Roth said. But he added: "I would not want to give anyone dietary advice based on this study."

The National Institute on Ageing began a study of almost 200 rhesus and squirrel monkeys in 1987. Half eat as much as they want and the other half are restricted to a diet containing 30 per cent fewer calories.

Since these animals normally live for 30 to 40 years, it is too soon to draw any direct conclusion about their lifespan. But Dr Roth said the monkeys on a low calorie diet were ageing more slowly, on the basis of biochemical markers in their blood and the fact that their average body temperature is almost one degree centigrade below normal – showing a lowered metabolic rate.

What seems to happen, according to Dr Roth, is that "the calorically restricted animals use energy more efficiently. It's as if they had an energy sensor to reset their metabolism, probably through some sort of gene expression effect."

The low calorie monkeys, which weigh 20 to 25 per cent less than fully fed animals, do seem hungry, Dr Roth said. They are more active, "particularly at mealtimes."

The scientists recently started a more detailed behavioural study. One finding is that the restricted calorie monkeys learn more quickly than fully fed animals of the same age.

Another approach to ageing focuses on the destruction of cells by oxidation. All living creatures produce natural anti-oxidant enzymes to fight this process, but the battle is inevitably lost in the end as the amount of permanent damage increases and undermines the organism's strength and vitality.

Professor William Orr of Southern Methodist University, Dallas, told the meeting that he had extended the life of fruit flies by a third (to about two months) through genetic engineering. The insects were given extra genes for two anti-oxidant enzymes, superoxide dismutase and catalase.

World 'must look to nature's free services'

By Clive Cookson

Governments and corporations must begin to take account of the services provided free to humanity by nature, which are worth many thousands of billions of dollars a year, a panel of US scientists and economists said yesterday.

Professor Jane Lubchenco, president of the American Association for the Advancement of Science, told the association's annual meeting in Seattle that the overriding scientific priority for the next century would be to protect the environment. That meant giving an economic value to nature's "ecosystem services", ranging from water purification and waste recycling to soil fertility and insect pollination.

Economists are only just beginning to devise ways of valuing natural resources and services. Professor Geoffrey Heal of Columbia Business School in New York said: "Preliminary estimates put the aggregate value of these services at or above the total GNP of the planet, of the order of $30 trillion ($30,000bn)."

One of the simpler eco-services to value is the provision of clean water. For example, New York City would have to spend $4bn building a chemical treatment and filtration plant if it did not get relatively clean water from the Catskill Mountains.

"For all the world's large urban areas, a conservative figure would be $900bn," Prof Heal said. New York City recently spent almost $1bn, according to Prof Heal, buying land in the Catskills to protect its source of clean water.

Professor Paul Ehrlich, the Stanford University ecologist, said natural biological pest control systems alone were worth 4 per cent of world GNP.

Prof Ehrlich gave the Seattle audience a local example of the consequences of failing to consider ecosystem services. This winter's disastrous mudslides in the Pacific Northwest were due to over-harvesting of timber, he said. The US Forest Service should include the value of standing forests as natural flood controls in calculating fees for tree felling.

Prof Ehrlich accused "brownlashers" – people attacking the green message of the enviromental movement – of attributing zero value to ecosystem services.

The World Bank is beginning to think about natural capital in its planning of big development projects, Prof Neal said. "The value of natural capital is significantly in excess of the value of man-made capital in most countries." Prof Neal and colleagues at Columbia University are launching a five year research programme to calculate an economic value for natural resources.

Decision this week on mandatory forest measures

By Leyla Boulton, Environment Correspondent

An international panel of negotiators will decide in New York by the end of this week whether the world should have an international forestry convention.

The proposal described as anything from "a loggers' charter" to the best chance for saving the world's forests, would commit signatories to mandatory measures. This would build on a plethora of voluntary initiatives to promote more sustainable forestry.

The task of the panel of experts meeting at the United Nations is to recommend whether governments should launch a legally binding convention at the UN's special assembly in June.

The industry is divided on the proposal, as are the governments which failed to agree a legally binding convention at the Rio "Earth Summit" five years ago. They opted instead for a non-binding set of forestry principles.

The negotiations on whether to pursue the "missing Rio convention" have been revived in the last two years.

Existing voluntary initiatives range from western-led schemes to certify imported timber as produced in an environmentally friendly manner to a 1994 International Timber Trade Organisation (ITTO) agreement to promote sustainable management of tropical forests in developing countries.

Ironically, the world's best known environmental pressure groups oppose the convention along with the US, which has been criticised by the same groups for failing to ratify the biodiversity convention launched at Rio.

A joint statement issued by Greenpeace, Friends of the Earth, and the World Wide Fund for Nature said a convention would be "premature" and the international community should focus on "properly implementing... existing instruments" such as ITTO. A convention would "almost certainly enshrine the lowest common denominator" since there were no internationally accepted criteria for sustainable forestry.

The European Union, and some big logging nations, including Canada, Finland, Sweden and Malaysia, support the convention.

Mr Brian McClay, senior vice-president at the Canadian Pulp and Paper Federation, said it was in the industry's own interest to promote sustainable development.

Growing pressure from consumers for sustainably produced timber and paper also meant any business which embraced sustainable practices stood "to make sales that it would not otherwise get".

Mr Pekka Patosaari, Finland's representative on the inter-governmental panel, said a key component of a convention should be to increase aid, transfers of technology, and market access for developing countries.

The International Institute for Environment and Development, a London-based think tank, argued that unsustainable forestry could be ended at a stroke if best practice became universal practice.

صخ امن الاصل

DEALS THAT SHOOK THE COPPER MARKET

$38m 'excess profit' for Winchester

Mark Killick and Michael Robinson of BBC Panorama report on new evidence about central players in the Sumitomo scandal

A vast cobweb of almost 100 trades: Charlie Vincent of Winchester (left) and Yasuo Hamanaka, Sumitomo's former chief copper trader whose trial opens today

It was the biggest copper deal ever done. Code-named RADR, the deal between Sumitomo Corporation, the venerable Japanese trading group, and the UK-based Winchester Commodities Group, then only two years old, involved more than 1m tonnes of copper – 10 per cent of annual global production.

It threw the London Metal Exchange and the world's copper markets into turmoil, with accusations of market manipulation and unfair dealing.

Since 1993, the RADR deal has been shrouded in mystery. Its complex structure has been known to only a few insiders.

As the trial opens today in Tokyo of Mr Yasuo Hamanaka, Sumitomo's disgraced former chief copper trader, the BBC *Panorama* programme to be broadcast tonight will unlock for the first time the secrets of RADR.

Panorama's six-month investigation reveals new evidence about the relationship between Mr Hamanaka and Winchester, the company at the centre of the Serious Fraud Office inquiry into the Sumitomo affair. Started in 1991 by Mr Charlie Vincent and Mr Ashley Levett with £1m of capital, Winchester made enough money in just a few years to allow its founders to withdraw £25m apiece from the company and move to Monaco.

At the heart of tonight's programme are revelations from Winchester's internal documents on RADR and related matters. One shows RADR to have been a vast cobweb of almost 100 inter-related trades.

The BBC commissioned analysis of the Winchester data which shows RADR to have been a one-sided deal creating unfair profits at Sumitomo's expense of up to $38m for Winchester.

The documents also reveal that the deal, struck on June 24 1993, was part of a strategy proposed by Winchester to control the price of copper.

The BBC asked Mr Desmond Fitzgerald, chairman and chief executive of Equitable House Investments, a hedge fund, to examine the prices Winchester charged Sumitomo. He identified one particular set of options as "sufficiently outside fair market prices that it generated an immediate profit to Winchester in the order of $16m".

Overall, he said, "if one compared the prices actually traded with fair market prices, that would create an excess profit to Winchester in excess of $36m to $38m".

The Winchester papers include details of another huge options transaction, closely related to RADR, which Mr Vincent proposed to Mr Hamanaka in September 1993. The deal never proceeded. Mr Fitzgerald said one set of options alone "would have involved an excess profit to Winchester in the region of $50m".

The unfairness of the pricing should have been obvious to Mr Hamanaka, said Mr Fitzgerald. "I can't think of any reason why an experienced market professional would want to do some of these trades at the prices they were done at. It's a complete mystery to me."

The papers show another purpose: to manipulate the price of copper. A key RADR document says the deal was designed to provide "maximum flexibility around a core strategy of control of pricing spreads".

A fax from Mr Vincent to Mr Hamanaka dated September 7 provides powerful evidence of an intention to make money by manipulating the copper price.

Marked "private and confidential" and urging "the total need for secrecy", Mr Vincent's memo says: "It is imperative that we support the price of copper at $1,950 because this is the three-month price which has been used in structuring the option proposal I have given you on Tuesday 7 September."

Winchester and Mr Hamanaka were not the only participants in the RADR deal. It had been put together with the assistance of Credit Lyonnais Rouse, the London-based trading division of the state-owned French bank.

CLR acted as clearing broker to both Winchester and Sumitomo and placed both companies' trades on the LME.

CLR earned normal commissions on the huge trades it cleared for Winchester and Sumitomo. It also charged for the credit lines it provided. But CLR had another arrangement giving it a direct stake in Winchester's success. This was to prove its most lucrative source of profit.

This arrangement, unknown to the LME at the time but disclosed to the Securities and Futures Authority, gave CLR a 20 per cent share of any profits or losses Winchester made. Winchester proved so profitable that, in its financial year to April 1994, it paid CLR £11m for its 20 per cent profit share, dwarfing the £5m Winchester paid in commission or the £4m paid for credit facilities.

The arrangement not only handsomely boosted CLR's profits, it also contributed to the near-quadrupling of the pay of its two top executives. According to CLR's annual report and accounts for the year to December 1993, the pay of Mr Roy Leighton, CLR's chairman, rose to £2,226,812 and the company's highest paid director's compensation increased to £2,310,267.

CLR declined to be interviewed for *Panorama*. But sources close to the company told the BBC that it considered the price and structure to be "reasonable" – although Mr Fitzgerald assessed the RADR deal as "unfair".

The LME launched an investigation into the copper price distortions caused at least in part by trades associated with RADR. Neither Sumitomo nor Winchester is a member of the LME, so the probe focused on CLR.

After the investigation, CLR denied any wrongdoing, but apologised for its involvement in a situation which it accepted "could have been interpreted as involving an undue influence being exercised over the market" and agreed to pay £100,000 towards the LME's costs, the highest such payment ever made.

Mr Hamanaka's downfall in June 1996 re-opened interest in RADR. Authorities in Britain, the US and Japan are also looking for the definitive answer to a central question: why did Mr Hamanaka enter into a deal that was so biased against his employer?

The answer may not emerge from Mr Hamanaka's trial, because the charges are narrowly drawn. But Japanese prosecutors are continuing to investigate the cash payments of more than Y20m (£99,000) to Mr Hamanaka which *Panorama* has discovered were made by Mr Shinichi Nishi, Winchester's full-time representative in Tokyo.

The mystery of the Codelco connection

Winchester Commodities Group also played a key role in the curious case of Codelco. The Chilean state copper company, like Sumitomo, found itself a party to trades with Winchester which appear to have been done at unfavourable prices.

The details of trades between Winchester and Codelco came to light in a fax discovered in Mr Juan Pablo Davila's files shortly after he confessed to his boss on January 21 1994 that he had lost $174m through unauthorised trading.

Chilean investigators focused on a series of trades on January 4 with an unknown buyer. These involved 70,000 tonnes of copper – seven times Mr Davila's permitted limit. Codelco was anxious to discover who was on the other side of the deals. Winchester was asked by UK regulators in mid-February whether it had been involved. Winchester replied that it had never traded with Codelco.

But shortly afterwards, Codelco found a fax in Davila's office which showed that Winchester had been on the other side of the deal. Mr Juan Eduardo Herrera, Codelco's vice-president, said: "If we had not found this fax, we would not have known these trades had been done through Winchester."

There was another mystery about these trades – the prices. Mr Herrera said Mr Davila "was selling huge volumes at prices we think were very low. We have good grounds to believe he could have obtained higher prices that day for that volume."

The BBC has discovered that just 20 minutes before the first Winchester trade, Merrill Lynch contacted Mr Davila and bought 25,000 tonnes of copper at $1,755 per tonne. The Merrill traders made clear to Mr Davila that they were in a position to buy as much copper as he wanted to sell. But Mr Davila then decided to sell instead to Winchester at lower prices.

The fax shows that the first two Winchester deals involved 25,000 tonnes each. Winchester paid $1,718 per tonne for one tranche and $1,725 per tonne for the other.

Had Mr Davila done the Winchester trades at the prices Merrill first offered, Codelco would have made an additional $1.68m.

In another unexplained transaction the same morning, Winchester sold 10,000 tonnes of the Chilean copper it had just bought to Vulcania, a company registered in the British Virgin Islands, at what a former Winchester employee has described as "a very favourable price". Within a few hours, Vulcania sold it back to Winchester, netting an immediate $250,000 profit. The Serious Fraud Office is trying to identity the beneficial owners of Vulcania as part of its investigation into the Sumitomo affair.

In an interview with the FT last July, Mr Ashley Levett, one of Winchester's founders, described Vulcania as a client "who traded through us, who we had a commercial business relationship with, who paid us substantial commissions". His partner, Mr Charlie Vincent, said: "I don't know who the principals of Vulcania are."

Winchester's role in the Codelco trades was investigated by the UK's Securities and Futures Authority. Two senior Winchester directors met on January 16 1994 to discuss putting their back office paperwork in order as soon as possible. The trade with Codelco had been done without any formal client agreements being in place, a technical breach of SFA rules.

In a report dated November 11 1994, SFA investigators recommended that Winchester should be disciplined for providing "false, misleading and inaccurate information". In their view, the initial denial that the deals had taken place was not a technical breach but a serious attempt to mislead the SFA, deserving a robust response.

However, on May 9 1996, Mr Richard Farrant, the SFA's chief executive, wrote to Winchester Brokerage Ltd (WBL) that the SFA's enforcement committee had "decided not to initiate disciplinary action on the basis of the facts now before it". His letter continued: "However, the committee was concerned that there were issues raised by this case which might have implications for the future relationship between SFA and WBL."

Additional reporting by Clay Harris

Prospects of 'BSE' vote win recede

By John Kampfner and Maggie Urry

The government appeared set last night to survive the latest challenge over its handling over the BSE crisis as pro-British Northern Ireland Unionists accused the opposition Labour party of opportunism.

Labour leader Mr Tony Blair and senior members of the shadow cabinet scaled down prospects of victory in today's vote censuring Mr Douglas Hogg, agriculture minister.

With the number of Tory MPs level with combined opposition forces, Mr Blair needs all nine Ulster Unionists to support Labour, and for at least one Conservative to fail to turn up or rebel.

Although the UUP made clear it would agree tactics at a meeting tonight, hours before the vote, Mr John Taylor, the party's deputy leader, said Labour had shown itself less sympathetic than the Tories to the concerns of Northern Ireland's farmers and fishermen.

Ministers denied seeking a deal with unionists. However, Mr Hogg was expected to use his speech to signal support for moves to lift the ban on certified BSE-free herds – a move certain to benefit Northern Ireland first because of its advanced cattle-training system.

Once slaughtering under the selective cull gets underway, probably by the end of February, the commitments the UK made under the Florence Agreement will have been met and the UK can press for a lifting of the ban.

Mr William Hague, the minister for Wales, said no-one had been "bribed or bought off", but he acknowledged lifting the certified herd ban was something "that might benefit Northern Ireland".

Mr Taylor said his party had been in "informal contact" with ministers, especially over the accredited herd scheme. "Labour have antagonised us, both in the way they failed to consult us when calling the vote, and in their approach to agriculture generally," he said.

He also cited what he said was Labour's lack of commitment to addressing fisheries quota-hopping in its negotiating approach to the inter-governmental conference on European Union reform.

Northern Ireland aerospace manufacturer to announce new contracts

Shorts restores lost Fokker jobs

By Michael Skapinker, Aerospace Correspondent

Short Brothers, the Northern Ireland aerospace offshoot of Bombardier of Canada, will this week announce that new manufacturing contracts will allow it to create more jobs than it lost last year after the collapse of Fokker of the Netherlands, one of its most important customers.

Fokker's bankruptcy led to the loss of 1,000 jobs at Shorts. The company said earlier this year that it hoped to restore 600 of those when it began work on a 70-seat jet for Bombardier.

Shorts is expected to announce on Wednesday that the number of jobs created will be substantially higher than that. Some of the posts will come from producing components for Bombardier's new Canadair CRJ-X 70-seat aircraft. The aircraft will be a larger version of Bombardier's 50-seat Canadair regional jet.

It is believed the remainder of the Shorts jobs will be to work on another Bombardier aircraft, details of which will be announced this week. It is not clear how long it will take for the posts to be filled.

Shorts executives were hoping last year that a buyer would be found for Fokker, for which it made aircraft wings. Although Bombardier was initially seen as a likely buyer, the Canadian group said it was not interested.

The receivers of the Dutch company held talks with Samsung of South Korea but these were also unsuccessful. Dutch investors are hoping to launch a rescue of Fokker, backed by Singapore capital.

In November, however, Shorts said it could not afford to wait for a buyer and stopped making wings for Fokker.

It is not clear what components Shorts will make for the Bombardier aircraft. However, the Canadian group regards Bombardier as its centre of excellence in several areas, including composite materials and the production of nacelles, the tubes surrounding aircraft engines.

Bombardier, which makes snowmobiles and trains, only entered the aerospace business a decade ago.

The British government's refusal to apologise for "Bloody Sunday" is a disgrace Mr Bertie Ahern, leader of Fianna Fail, the largest opposition party in the Republic of Ireland, said yesterday.

"Bloody Sunday" occurred in 1972 when 14 unarmed civilians were shot dead by the British army in Londonderry, the second largest city in Northern Ireland.

"I am reluctant to use the word 'disgraceful', but I will," Mr Ahern said on Irish radio. "There is a good deal of evidence to show that what happened was planned, that what the British army was involved in was not just an isolated incident. I would have thought the British government would have to answer the question – do they accept the 14 people they shot were innocent men ?"

US team told terrorism still bars Sinn Féin

By John Murray Brown in Dublin

Mr John Bruton, the prime minister of the Republic of Ireland, told a US congressional delegation at the weekend that Sinn Féin would not be allowed into negotiations while it retained the option of using terrorism to pursue its political goals.

Mr Bruton, clearly concerned at the continuing support enjoyed by Sinn Féin in the US, told visiting members of the international affairs committee of the House of Representatives that Sinn Féin and the IRA were the political and military wing of the same movement, which "had gone back to full-scale violence".

Defending his handling of the peace process, Mr Bruton said his government would not enter into "political consensus, fronts or alliances of any kind with those who retain the option of using violence". The Irish prime minister is likely to repeat this hard-hitting critique of Sinn Féin when he meets US president Bill Clinton next month in Washington during the annual St Patrick's Day celebrations.

His comments were in contrast to the delegation's own public remarks during the two-day visit. Mr Ben Gilman, the New York republican congressman and the delegation's spokesman, said: "It is extremely important that all parties be seated at the table and we certainly accept Sinn Féin's bona fides as political representatives of 15 per cent of the population. I think it is a credible party and should be part of the peace talks."

In a symbolic move, rejecting the advice of the US embassy in London, Mr Gilman had earlier met and then held a joint press conference with Mr Gerry Adams, Sinn Féin's president, in Belfast.

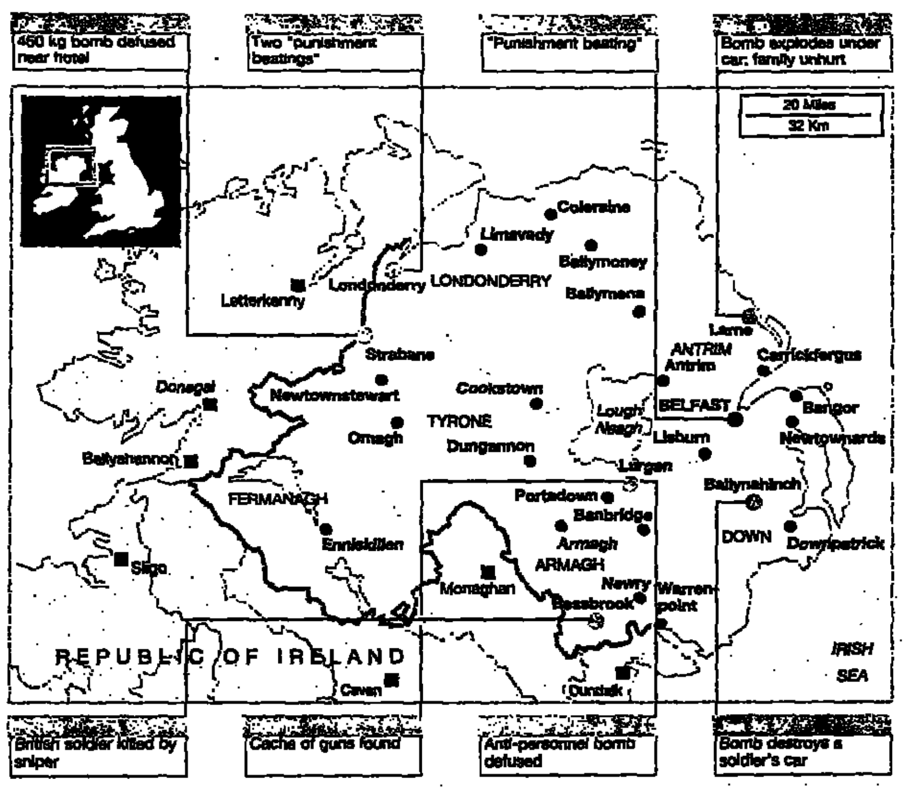
He said later he thought the Sinn Féin leader was ready to call a new ceasefire if he thought his party would gain admission to the talks.

The visit came a few days after the murder by a sniper of a British soldier in south Armagh. Asked to comment on the killing, Mr Gilman said he did not condone violence. Only Mr James Moran, a Democratic congressman, offered an unsolicited condemnation.

The Irish government's clear irritation with some members of the delegation surfaced when, on Irish radio, Mr Prionsias de Rossa, leader of Democratic Left, a partner in Mr Bruton's three-party coalition, accused Mr Peter King, the New York congressman, "of having the cheek to lecture the people of this country about the problem of Northern Ireland".

Mr de Rossa said Mr Adams had "caved in to extremists in the republican movement".

A month in Northern Ireland



UK NEWS DIGEST

France 'winning investment war'

The UK has lost ground to France in the battle to attract inward investment since 1991 because investors believe the French are more committed to European integration, says an article published in London today by the Institute for Public Policy research, a left-leaning think-tank.

The authors, Mr Ray Barrell and Mr Nigel Pain, two economists at the National Institute for Economic and Social Research, claim that France received more inward investment than the UK in the period 1991 to 1995 in spite of its relatively high tax rates and regulated labour market. In their view this argues against official UK claims that low taxes and labour costs have been the most important factors attracting attracting companies to the UK.

The authors believe the desire to avoid European trade barriers may be a more important factor driving inward investment decisions than liberal markets. "If the UK does not join a single currency, companies may not be so keen to invest in the UK due to concern about access to the wider EU market." *Stephanie Flanders*

■ HOME ENTERTAINMENT

$2bn boost for video industry

The UK video industry showed strong growth last year with the value of the rental and retail markets rising well above inflation to a record total of £1.3bn ($2bn), according to new industry figures.

Video rental experienced its second successive year of growth in 1996, according to the British Video Association. The rental sector had declined for each of the previous five years after hitting a peak of £569m in 1989.

There were some 230m video rental transactions in the UK during the year, which generated total revenue of £491m, well below the record figure of 1989, but 6 per cent higher than in 1995.

Braveheart, the Scottish historical epic directed by Mel Gibson which swept the board at last year's Oscars, was the most frequently rented video of the year. *Seven*, the thriller starring Brad Pitt and Gwyneth Paltrow, was in second place; followed by the Bruce Willis action movie, *Die Hard With A Vengeance*.

The video retail market is growing faster than the rental sector with sales totalling £803m in 1996, an 8 per cent increase over 1995. Some 79m videos were purchased during the year, according to the BVA. *Alice Rawsthorn*

■ PAY SURVEY

Manufacturing sector steady

Manufacturing sector pay settlements continue to remain stable, averaging averaged 3.1 per cent in the three months to the end of last December and were unchanged since last June, according to the latest Databank figures from the Confederation of British Industry, Britain's largest employers' lobby, published today.

In the services sector, pay awards rose slightly in the same period to a average of 3.3 per cent, slightly up on the 3.6 per cent recorded for the third quarter of last year.

A third of manufacturers said that pay deals were being kept low because of an inability to raise prices while just over a quarter of them said low profits were restraining pay increases rises and 20 per cent mentioned said that a low rise in the cost of living was a reason for the modest level of pay deals. *Robert Taylor*

Textile giants lumber into uncertain old age

The future of the sector lies in smaller, nimbler companies

A little more than 25 years ago, one in 50 Britons worked in the textiles and clothing industry, the largest and most concentrated of its kind in the world. The decline since then has been spectacular: a stream of bankruptcies, plant closures and redundancies.

Yet the sector has clung on. It still employs more than 400,000 people, making it the UK's fifth largest manufacturing activity.

On the stock market, though, it has been nearly annihilated. Textiles and clothing companies were the worst performing sector last year and now account for less than 0.3 per cent of the total market value of London shares.

This is because some companies have ceased to exist while the largest of the survivors have performed badly for a long time. Although a handful of companies have managed to buck the declining trend, they tend to be small, privately-owned and nimble.

Profit margins of about 5 per cent of sales may not look too bad. But the return on capital of the major quoted companies has been running at below 6 per cent on average – less than the return on gilts [government-backed bonds] which carry no risk.

There are two factors which help to explain why the former giants are struggling. First, the economics of today's textile business do not favour large, high-cost concerns based in industrialised nations and run by highly-paid professional managers.

Second, the one major retailer which has stayed loyal to its British suppliers, Marks and Spencer, the UK's leading clothing chain, is driving an increasingly hard bargain.

These days the European textile industry is dominated by small, private businesses. The fact that Britain retains a large number of sizeable quoted companies is an anomaly. Many are relics of its industrial past, unwilling to steer a new course.

UK labour costs are over 20 times those in Bangladesh, Pakistan, India, Sri Lanka, Indonesia or China. In textiles and clothing, labour can account for up to 30 per cent of costs.

There is no hope of closing this gap through economies of scale since the industry requires very little capital. To flourish in the UK, producers need to play to different strengths – and their key advantage is proximity to their market.

Moreover, UK manufacturers are better placed than those elsewhere to keep track of the nation's tastes in fashion, casualwear and working clothes. They can also benefit from the country's strong tradition of good design schools which each year turn out a new crop of talent.

Add these advantages together and the blueprint for success is a firm concentrating on producing small runs, quickly, and with an inherent design premium. Of these factors, design comes first, be it as Speedo swimwear, a Burberry mac or a cashmere jumper.

Although the industry has found Marks and Spencers' St Michael is its saviour, some are beginning to feel he drives too hard a bargain.

Different M&S suppliers have found different answers to the price squeeze. Courtaulds Textiles, for instance, has gained leverage in price negotiations by boosting its own size. The company, which is M&S's largest supplier, houses a clutch of otherwise unrelated businesses.

Others have moved their production sites offshore, heading for low-cost zones on the European fringes. This cuts costs but not to the level of competitors based entirely in such regions.

Textiles offer no certainties to the private investor. Some of the smaller, more innovative companies look interesting. But it is harder to be enthusiastic about the large, household name businesses.

Some analysts argue that the sector looks modestly valued on yardsticks such as price/earnings ratios and dividend yields. Others say that the industry has plenty to be modest about.

Jenny Luesby

Salmon farmers warned

By James Buxton in Bergen

Scottish salmon farmers are being warned that it would not be in their long-term interest to press for punitive import duties on Norwegian salmon if Norway loses the anti-dumping case between itself and the UK, which the European Commission is investigating.

"If the European Union imposed a 15 per cent import duty on imports of Norwegian salmon it would force us to become even more competitive, while shielding the Scottish industry from the need to improve its productivity," Mr Jostein Refsnes, a senior spokesman for the Norwegian salmon industry said here at the weekend.

The Commission is examining allegations by the Scottish salmon industry that Norwegian producers sold fish at below the cost of production between August 1995 and July 1996, and that in the late 1980s and early 1990s they enjoyed state aid which was against EU rules. Although Norway is not a member of the EU, it accepts its internal market legislation.

The complaint stemmed from a sharp drop in salmon prices on the EU market caused, the Scottish salmon producers say, by Norway dumping salmon. The European Commission will not pronounce on the dispute until May.

Japan starts to winnow out losers

DATELINE

Tokyo: For the first time, Japan is beginning to accept that individuals have different abilities and needs, writes **William Dawkins**

Japan, it was once said, is the only communist society which works.

In the past few weeks that may have become less true, for Japan's rice-growing group mentality is starting to give way, at least in parts, to a harsher, hunter-like society in which market forces are allowed to winnow out winners from losers.

"We as a society are on the threshold of appreciating diversity and difference . . . For the first time, we are beginning to accept that individuals have different abilities and needs," says Susumu Taketomi, managing director of the Industrial Bank of Japan.

A recent piece of evidence, says Taketomi, is a change in how financial markets operate. Traditionally, Japanese share prices have performed more or less in harmony, within a predictable divergence from the index.

But, since the turn of the year, the market has fragmented in terms of share price declines. Internationally competitive exporters' share prices have hit post-war highs, while banks' shares have plumbed new depths.

The same thing has happened to bond yields. Traditionally, businesses in the same sector paid about the same to raise debt. Yet, during the past few weeks, sharp differences have emerged between the yields paid by strong and weak banks, leading one hapless institution to call a press conference to deny rumours that it was about to go bust.

Before the mid-1990s financial crisis, strong banks would usually bail out weak affiliates or partners, if only because their credit ratings would fall if they were seen to abandon friends. Yet no fewer than seven financial institutions have been allowed by their main banks to collapse during the past year.

This new toughness even has the blessing of the government, to judge by the finance ministry's decision late last year to order the closure of Hanwa Bank, the first enforced shut-down in more than half a century. It was a social earthquake, with wide ramifications for the shape of a formerly cosy landscape. "Why close us? We paid our way. We even bailed out other banks on the ministry's guidance," complained one Hanwa branch manager in a newspaper interview last week.

There is some evidence that this toughness is spreading beyond finance into the real world. But how far will it go?

More companies are rewarding staff for performance rather than mere seniority, and at the same time focusing on profits rather than sales growth and employment. Minoru Makihara, president of Mitsubishi Corporation, one of Japan's biggest employers, has allowed pay of managers of the same age to diverge by plus or minus 10 per cent, and says his priority is to improve return on equity.

Just as Mitsubishi is valuing performers more highly, so people are increasingly choosing to stand out from the crowd. The chances are that Makihara's management stars will turn up to work in a striped shirt these days, rather than the usual salary-man uniform white. Takashimaya, a posh department store near Mitsubishi headquarters, reports that sales of striped and coloured business shirts are running at more than twice last year's levels.

A growing number of Tokyo girls have made a similarly colourful statement of individuality by dyeing their hair brown. Yet there are revealing limits to the extent to which individuals and companies want to stand out from the crowd.

The fashion for dyed hair has declined recently. Shizuka Kudo, a formerly brunette teen pop idol, unleashed a conservative backlash recently by reverting to black. Few resisted, except for one poor schoolgirl who was told that she could not dye her hair black again because dyed hair was against a school rule that she had already broken once.

Another example of Japanese personal ambivalence about breaking out is the response to Hideo Nomo, the baseball player who quit the austere world of the domestic game to become star pitcher for the Los Angeles Dodgers last year.

Most Japanese admire Nomo for doing so well in the US, just as they admire US society, says Shintaro Kubo, business editor of the Yomiuri Shimbun, Japan's largest circulation daily newspaper. "Nevertheless," he adds, "most Japanese would wince at the idea of having to cope in such a competitive society."

It is obvious why. Even though Japanese companies are being tougher about profits, they are still, in some ways, kinder than western counterparts.

Taizo Nishimuro, president of Toshiba, was asked last week why he does not increase profit margins by making massive job cuts like his US competitor, Jack Welch, chairman of General Electric. Nishimuro replied that it was his duty to maintain employment.

That is why Japan has managed to keep its jobless rate down to 3.3 per cent, even after the deepest economic slowdown in 60 years, a performance for which it recently won praise from the Organisation for Economic Co-operation and Development. In another example of the caring convoy approach, the gap between rich and poor hardly changed during that downturn. During the past six years, workers in the highest-wage Japanese prefectures have continued to earn about 14.5 per cent more than the poorest.

In short, Japanese people and companies are becoming less convoy-like – but only a bit. Just the leakiest vessels are allowed to sink, and then only in sectors, like finance, where market forces are creeping in faster than elsewhere. The weaker and stronger non-sinkers are being more clearly differentiated. But the bulk of society has managed to keep its communal qualities. Most Japanese do not want to change that.

The Monday Profile: Hubertus von Grünberg, Continental

Tyre chief with an iron grip

He has been called a destroyer of jobs, a "downsizer", and worse. But Hubertus von Grünberg does not court popularity in his drive to enthuse corporate Germany with Anglo-Saxon-style capitalism.

Von Grünberg is chairman of Hanover-based Continental, the world's fourth biggest tyre producer and one-time sleepy giant which he has transformed over the past six years, helped by a programme of plant closures and redundancies. As a result, von Grünberg has gained renown for his remorseless efforts to raise profits and shareholder value.

In six years he has cut 10,000 jobs, roughly 20 per cent of Continental's workforce, switching tyre production from plants in high-cost regions in Europe and the US to low-cost locations in Portugal, Thailand and the Czech Republic. Of the job losses, 3,000 have gone from Continental's German bases, which has not endeared him to Germans fretting about rising unemployment.

However, von Grünberg's methods have started to please investors. The company's net income more than doubled between 1994 and 1995 to DM155.2m (£57.6m) on sales of some DM10bn.

Part of his strategy is to publish internal league tables of factory performance so that sites can compete. In one such internal competition, a Continental plant in Dublin was bested by a production site at Traiskirchen, near Vienna. The Irish factory was closed down last year, with the loss of 600 jobs.

A smiling yet deeply serious 54-year-old, with a doctorate in relativity theory, von Grünberg apologises if his techniques sound ruthless. "I hate the tough words. But we are trying to apply internally the same principles of the free market economy that the company is subject to globally. I say to our people: 'Hey folks, this is a struggle to survive'."

Since von Grünberg joined Continental in 1991, its worldwide plants have been reduced by about a quarter to 17. Of the company's tyre production for western Europe, only 1 per cent came from low-cost plants outside the main developed countries in 1991. Today the figure is 25 per cent. By 2000 it should be 40 per cent.

More plants in its main European production areas could close. "We have an internal list of candidates," he warns. Given his raw-toothed business ideas, von Grünberg's background appears unlikely. Until the age of 28 he was a university physicist, gaining a PhD in relativity studies. He did not imagine he would be a captain of industry. "I could hardly operate a light switch," he admits.

But after some academic research into the highly obscure area of "fifth wheel" drive couplings for the automotive industry, he got a job in Germany as a project manager for Alfred Teves, a vehicle parts company owned by the US conglomerate ITT.

And straight away he was hooked. "There was more life, less bureaucracy. You had a chance of changing things by yourself. It seemed you could speak out, without being old." He stayed at ITT for 20 years, his last job before moving to Continental in 1991 being head of the company's global automotive operations, based in Michigan.

Von Grünberg has an upbeat side, as if to prove he is not just a bean-counter. "No management can win by cut and cut," he says. The company is ploughing some of the cash savings from the lower-cost production operations into new product development, in an effort to build up the company's position outside tyres.

In this part of the company – accounting for slightly more than a quarter of sales – Continental makes products that include electronically controlled air springs for vehicle suspension, plus specialist transmission systems for factory machinery. He glows when discussing ideas for futuristic, ultra-safe vehicles which would brake automatically when road conditions became dangerous.

But von Grünberg says Germany has a lot to learn from the UK's efforts during the past 15 years in reducing labour market regulations and curbing trade union power. He says such changes have given Britain a crucial competitive advantage by lowering wage costs. It is a lesson, he says, that the emerging east European countries have digested. "The economic acceleration of the Czech Republic and Hungary depends crucially on their wage advantage. There is nothing else the Czechs have over the Austrians."

His message to the politicians shaping Europe's future is one that is not universally shared by German industrialists. He says Europe would be unwise to proceed with further economic integration without the UK. "Never lose Britain," he says. "They are our conscience."

Peter Marsh

FT GUIDE TO:

SCOTTISH DEVOLUTION

We keep hearing that Scotland will get something called "devolution" if the Labour party wins the general election. What does that mean?

It means Scotland would get its own parliament in Edinburgh, instead of being governed by the UK parliament in London.

Would Scotland become a separate country with its own government, army, navy and embassies round the world?

No, you're confusing devolution with independence. Independence would mean Scotland leaving the UK altogether. Under devolution a certain amount of power is "devolved" from Westminster to Edinburgh, but Scotland remains in the UK.

So what power *would* be transferred to the Scottish parliament?

It would control the things currently run by the Scottish Office, such as education, local government, health, the Scottish legal system, inward investment and agriculture. But Westminster would keep control of macro-economic policy, foreign affairs and defence.

The Scottish Office is in Edinburgh, isn't it? If these things are already run from Scotland, why do the Scots want a parliament as well?

Political control of the Scottish Office has been in the hands of the Conservative party since 1979. The Tories only get about a quarter of the vote in Scotland, yet they have often implemented policies which the majority of Scots voted against, like the poll tax.

The Conservatives say this is OK because Scots vote in general elections to elect a UK government, as they have done since the Act of Union of 1707.

But Labour and the Liberal Democrats say it would be more democratic if the administration of Scotland was directly accountable to the Scottish electorate rather than to the UK electorate.

What do people in Scotland think about that?

The latest opinion poll in Scotland showed 40 per cent wanted devolution. Also, 31 per cent wanted independence, and 27 per cent the status quo.

So you could say devolution was a compromise between two opposites. But doesn't prime minister John Major call it "one of the most dangerous propositions ever put before the British nation?" Why?

He believes a Scottish parliament would be unworkable and cause tension between Edinburgh and London. The Scottish National party would exploit the problems and say Scotland would be better off independent.

Scotland could claim independence if a majority voted for the SNP, and the UK would break up. That is what is called, in devolution jargon, the "slippery slope".

What would Scotland and England quarrel about?

Money, for one thing. Labour says the Scottish parliament would receive an annual allocation from the Treasury just as the Scottish Office does now. But identifiable public spending in Scotland is 25 per cent higher per head than it is in England. Once Scotland got its own parliament, it would become obvious how much more Scotland was getting.

If Westminster tried to reduce Scotland's share on the grounds that the Scots were "subsidy junkies", there would be a big row.

But I thought the Scottish parliament was going to raise its own revenue. I keep hearing about the "tartan tax". What's that?

Under Labour's plan, the Scottish parliament would be allowed to raise an extra 3p in £1 on income tax in Scotland, which the Tories call the "tartan tax".

It would not be popular and would not give the parliament much extra spending power. Labour says the "tartan tax" would not be used in the first term of a Scottish parliament.

That implies Labour would control it.

The Scottish parliament would have 129 MPs, 73 elected under the current first-past-the-post system and 56 by proportional representation. Labour would probably not get an overall majority but it could rule in coalition with the Liberal Democrats.

Surely a Labour government in London is not going to quarrel with a Labour-led Scottish parliament?

Maybe not. But a future Conservative government might want to reduce Scotland's share of public spending. Or it might want to change the devolution settlement altogether.

Why? Is there something else wrong with it?

The Tories, and some Labour MPs, think it is wrong that if Scotland gets its own parliament it will still send 72 MPs to Westminster, which is anyway more than its population merits. These MPs would be able to vote on, say, education in England, but English MPs would not be able to vote on education in Scotland.

That is called the West Lothian question because it was first raised by Tam Dalyell, who was then the Labour MP for West Lothian, in the 1970s.

James Buxton

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 16.02.97: Pool purchase price £/MWh	Final Prices for Trading on 19.01.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.65	11.80	11.80
0100	16.00	11.67	13.35
0130	33.00	25.00	26.68
0200	33.00	25.00	26.68
0230	11.71	17.27	18.95
0300	11.67	33.88	35.56
0330	11.67	33.88	35.56
0400	11.67	16.77	18.45
0430	11.65	11.80	13.48
0500	11.64	11.66	11.66
0530	11.63	11.68	11.68
0600	11.63	11.68	11.68
0630	11.63	11.67	11.67
0700	11.63	11.67	11.67
0730	11.62	11.66	11.66
0800	11.62	11.65	11.65
0830	11.62	11.64	11.64
0900	11.63	11.61	11.61
0930	11.63	11.65	11.66
1000	11.65	11.68	11.68
1030	11.66	11.67	13.35
1100	12.44	12.17	13.85
1130	14.25	13.73	15.42
1200	16.00	17.08	18.76
1230	47.51	31.58	33.26
1300	47.51	31.58	33.26
1330	47.51	17.08	18.76
1400	15.03	17.08	18.76
1430	11.65	13.73	15.42
1500	11.65	11.79	11.79
1530	11.65	11.79	11.79
1600	11.65	11.79	11.79
1630	11.65	11.79	11.79
1700	11.66	21.20	22.88
1730	15.03	23.02	24.70
1800	27.65	23.02	24.70
1830	39.65	23.02	24.70
1900	39.65	23.02	24.70
1930	39.65	21.20	22.88
2000	39.65	18.59	20.28
2030	15.03	18.59	20.28
2100	12.44	18.59	20.28
2130	15.03	13.73	15.42
2200	12.44	12.17	13.85
2230	12.44	11.78	11.78
2300	12.44	11.68	11.66
2330	11.65	11.66	11.66
2400	11.64	11.66	11.66

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.02.97: Pool purchase price £/MWh	Final Prices for Trading on 20.01.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.66	12.17	14.13
0100	12.44	12.17	14.13
0130	12.44	13.73	15.70
0200	12.44	13.73	15.70
0230	12.44	13.73	15.70
0300	12.44	31.45	33.41
0330	12.44	31.45	33.41
0400	12.44	12.17	14.13
0430	12.44	11.80	11.80
0500	11.65	11.78	11.78
0530	11.66	11.77	11.77
0600	11.66	11.68	11.68
0630	12.02	11.68	11.68
0700	22.33	11.67	13.63
0730	39.13	24.72	26.68
0800	39.13	25.39	27.36
0830	28.40	32.28	34.24
0900	28.36	32.67	34.67
0930	27.84	33.67	35.73
1000	28.98	33.19	35.28
1030	28.98	33.32	36.05
1100	28.99	33.95	36.08
1130	41.08	33.96	36.10
1200	50.12	33.94	36.08
1230	50.12	33.90	36.02
1300	48.28	33.85	35.96
1330	41.04	33.75	35.82
1400	28.99	33.70	36.75
1430	45.63	12.22	12.22
1500	45.63	12.20	12.20
1530	28.99	12.19	12.19
1600	28.98	12.96	12.96
1630	28.99	20.01	20.01
1700	29.03	87.07	89.20
1730	36.54	100.99	114.38
1800	48.47	95.89	107.92
1830	51.78	62.68	68.88
1900	61.40	53.91	56.80
1930	50.79	43.11	45.48
2000	35.46	42.13	44.19
2030	36.05	32.60	34.58
2100	27.83	31.58	33.53
2130	26.40	28.72	28.89
2200	26.40	25.38	27.34
2230	26.38	18.52	18.52
2300	19.82	18.52	18.52
2330	15.46	18.52	18.52
2400	11.68	11.83	11.83

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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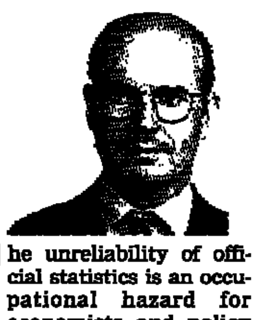


Gerard Baker · Economics Notebook

The truth behind the statistics

The economic performance of the US may be based on flawed data

The unreliability of official statistics is an occupational hazard for economists and policy makers. To the embarrassment of both, subsequent revisions of data on everything from population growth to credit card use have undermined conventional wisdom about existing economic conditions.

Worries about the suspect data have been largely confined to the academic world and the various points at which it connects with policy makers. But in the US, there is a broadening debate about the reliability of several important sets of statistics. The suspicion is growing that some of the data that underlie the most basic assumptions about American economic performance in the past few years are seriously misleading.

The most politically sensitive of these in recent months has been the consumer price index. Critics had long argued that this main measure of consumer price inflation was not giving a true picture of cost of living increases. Two months ago they received powerful endorsement from an independent panel of economists appointed by the Senate. The Boskin commission reported that the CPI was indeed overstating inflation by about 1.1 percentage point a year.

The report was politically explosive. If correct, its conclusions meant that, because the CPI is used as the index for uprating benefits and tax thresholds annually, the US had been overcompensating beneficiaries and taxpayers for years. Its authors recommended the official data be changed to reflect the overstatement, action that would save the US government tens of billions of dollars a year.

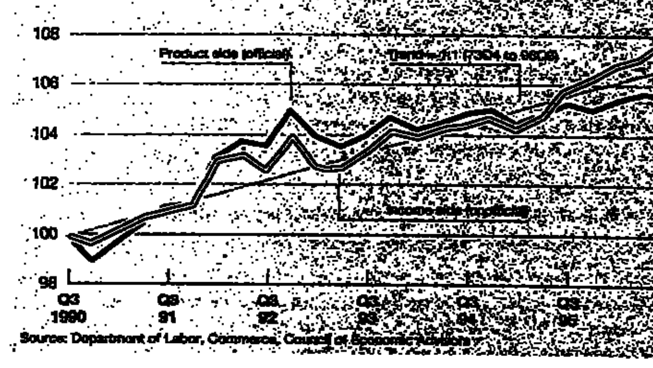
But the Boskin report's implications for US economic performance in the recent past were just as significant. The real component of nominal growth in the past 20 years had been much higher than thought, and, therefore, real output and productivity had grown much faster.

That argument reinforced another claim by many US economists that other statistics are understating real productivity improvements.

According to the official figures, the US has experienced a remarkable productivity sclerosis in the 1990s. It grew steadily for most of the 1970s and early 1980s at a little more than 1 per cent a year in real terms but appears to have declined sharply since then. Between 1987 and 1993, it averaged only 0.8 per cent a year. Since 1993 it has advanced at an annual rate of only 0.3 per cent.

But this sits oddly with much anecdotal and other statistical evidence. In the 1990s, companies strived to cut costs by streamlining and downsizing. At the same time the information technology revolution, it is argued, has significantly improved productivity levels in manufacturing and service sectors. But measured productivity growth is slowing down sharply. Which is true?

Part of the answer may lie in the CPI overstatement. If the error has been in the figures for the past 10 years or so, it might explain the apparent decline in productivity that has occurred at roughly the same time. But the report's authors claim that the CPI overstatement has been around for perhaps 20 years. If that is so, the apparent change in productivity in the past few years cannot be sourced to defective inflation statistics.



The chart offers an alternative explanation. It arises from the difference in the two principal ways of measuring economic activity. The overall level of activity can be measured by adding up all the output produced in the economy or all the income generated in producing that output. The Labor Department's Bureau of Labor Statistics, which compiles the CPI data and the productivity figures, uses the product – rather than the income – side of the national accounts to estimate total economic activity and its derivatives such as productivity growth.

The problem with this approach is that the data on the product side are usually much less complete than those on the income side. It is difficult to attain accurate measurements of service sector output. The full data do not generally become available until several years after the first estimates of output – then the figures are usually revised upward.

That is what appears to have happened to the productivity data in the past few years. Incomplete figures may have understated output. Using the income-side data instead, the productivity figure is much higher, in line with the longer term trend of 1.1 per cent growth.

The income side has problems too; non-wage income is hard to measure. And the productivity figure is not just a measure of output. The denominator in the productivity equation is the total number of hours worked, a figure some economists believe has been under-reported in the past few years because of the expansion of part-time working. If the correct-hours-worked figure is higher, then output per hour (productivity) will be lower.

But other statistics tend to support the claim that the income-measured productivity figure is more accurate. As President Bill Clinton's Council of Economic advisers pointed out in its annual report to the Congress last week, the unemployment rate suggests real productivity improvements. The fact that the jobless rate has continued to fall in the past few years is consistent with the (rapid) growth of gross domestic income but not with the (slower) growth of gross domestic product.

More important, Alan Greenspan, Federal Reserve chairman, also endorses the view that the US economy is performing much better than the official statistics suggest. On both the CPI and the productivity biases, he has argued that the statistics are not to be trusted. That may be why, in spite of emerging inflationary pressures in the economy, at least as measured by the official statistics, the Fed has not yet moved to tighten monetary policy.

MANAGEMENT

Ticking over efficiently

Vanessa Houlder checks out an array of time management choices

Do you try to have a "do it now" policy? Do you aim to discriminate between urgent and important tasks? Do you wish you could prioritise your activities, hold "action centred" meetings and handle each piece of paper that arrives on your desk just once?

If the answer is yes, the chances are that you are one of the millions of people who have studied time management – one of the best known, yet least applied, general management disciplines.

A growing number of time management products and services are aimed at busy executives, who are exhorted to work "smarter not harder" to cope with the stress induced by their ever-increasing workloads.

Better time management can also make a difference to a company's bottom line, claim the consultants. "Time is now a company's most valuable resource," says Philip Rushforth, managing director of Time/system, a Danish computer and paper-based time management business.

Although such extravagant claims may invite scepticism, the subject wins enthusiastic endorsements from converts. One early example was Charles Schwab, who founded Bethlehem Steel in 1904. When he sought guidance on time management, he was simply told to write a list of tasks to be done and tackle them in order of priority. That seemingly obvious tip made such a difference to his life that he reportedly thanked his adviser with a $25,000 cheque.

Today, a manager would be unlikely to get away with such succinct advice. Anyone contemplating time management training is confronted with a bewilderingly complex array of courses, products and techniques.

One reason why the subject is becoming more complicated is new technology. In addition to the traditional paper-based organising systems such as Filofax, managers can now choose from large numbers of software-based planners.

These promise to help schedule meetings, monitor projects, set goals and priorities and keep track of telephone numbers and addresses. They can automatically enter regular appointments, make reminders and sort out lists of tasks by priority, project or person in charge.

But even companies that sell electronic systems admit they have disadvantages in certain circumstances. For one thing, it is often quicker to jot something down than wait for the computer to boot up, says TMI, a Danish time management company.

For another, software planners often seem out of place in meetings. "It is still culturally unacceptable to tap away at a computer sitting opposite someone in a business environment," says Charles Macadam, managing director of Franklin Quest Europe, based in Milton Keynes.

Several companies offer hybrid systems that use both paper and electronics. TMI has collaborated with Psion, the maker of palmtop organisers, to design a time management package. "By running parallel systems in a [paper-based] Time Manager, on a palmtop and on your PC, you can take advantage of the strengths of each," it says.

The uptake of electronic planners has been relatively slow. Over half the respondents who took part in an Institute of Management study of time management which was published two years ago did not use electronic diaries. Just 11 per cent described them as very helpful.

But the survey found that some of those who spurn electronic planners have found huge benefits from other technologies. Online databases, a desk fax, laptop computers, mobile telephones and electronic mail all won enthusiastic plaudits.

Improvements in technology are likely to stimulate the uptake of other time-saving devices. Videoconferencing scored badly in the IM study, but seems set to become an invaluable substitute for certain types of meeting. Similarly, "personal digital assistants", which offer a variety of computer and communication facilities, such as fax, e-mail, Internet, personal organiser, calendar and address book, have yet to fulfil their potential.

But technology can tyrannise as well as liberate. Mobile telephones and pagers can give people the feeling that they are never off duty. The ability to communicate instantaneously has increased the pressure on the recipient to respond quickly.

Moreover, individuals' control over their own working lives can be affected by software that helps manage the flow of work between a team of people. For example, Time/system's TaskTimer provides information on meetings, milestones and deadlines at a glance. "It is easy to find out who is involved in a project, what role they play and how much time they have at their disposal," it says. Some individuals complain that group productivity tools make them feel as though they are being constantly monitored.

But the biggest impact of technology on managers' time is indirect: it has allowed companies to become flatter and leaner, increasing the responsibility of the remaining staff. Between 1992 and 1994, the workloads of more than eight out of 10 managers has increased, according to the IM study.

One emerging trend is the employment of fewer support staff. The IM study found that a third of managers were happy to do their own typing. But they were much less enthusiastic about having to filter telephone calls and do their own filing.

Some practical tips on these chores were collated by the authors of the IM study. They include:

- Cut short less important telephone calls. Useful phrases include "I'm in the middle of a meeting right now. Can you tell me quickly what you want?", "I have a taxi waiting for me", "I have a conference call booked in two minutes."
- Remember that an estimated 85 per cent of filed information is never looked at again.
- Reduce paperwork by realising that the most time saving object in your office is the bin.

Some people find this sort of advice invaluable; to others, it is just banal. What works for one type of personality will not work for another.

For most people, the problem is that time management techniques are quickly learned and soon forgotten. For others, there can be dangers in being too obsessed by the subject.

By avoiding interruptions people may risk missing out on up-to-the-minute information or forging new contacts. People who get to the top are rarely slaves to structures and schedules.

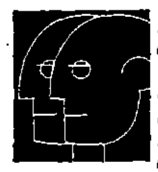
Moreover, constant planning makes it all too easy to lose sight of what really matters in your life, says Cathy Walton, director of Nicholson McBride, business psychologists.

"Despite all the techniques, there is a gap for most people between what's deeply important to them and the way they spend their time," she says.

Martin Powell and Vivien Schrager: specialise in children's animation

PARTNERS

Sleepy Kids



Martin Powell, 40, and his wife Vivien Schrager, 38, founded Sleepy Kids in 1985. The company specialises in children's animation and merchandising. Their cartoons, Potsworth and Dr Zitbag's Transylvania Pet Shop, are televised worldwide. In 1992 they acquired the world rights to Budgie, a cartoon helicopter created by the Duchess of York. Their turnover last year was £2m.

Martin: "When we started Sleepy Kids I was working for an advertising agency and Viv had a small shop selling costume jewellery, which meant we could fund the Potsworth project ourselves for two years.

It originally started as a children's book, based on the antics of our dog, Potsworth. Viv's always been very creative so the hardest part was not developing the stories, but getting the money to bring the concept to the market.

Once Hanna-Barbera had agreed to co-produce it in 1989 we began looking for other projects. Viv and I didn't take Johnny Bryan seriously when he first approached us about Budgie. He certainly didn't come across as a serious player and it wasn't until we met the Duchess of York that we realised it was for real.

In many ways it's been a double-edged sword. The association with her has helped in America, but hindered the brand in the UK.

The company does a lot more than Budgie, although a lot of people only associate us with that one character. We see ourselves more in the merchandising sector, rather than pure animation, which is expensive. Each half-hour cartoon costs $300,000 to produce.

With merchandise the scope is endless, from pencil sharpeners to videos. I'm good at coming up with the concepts then Viv fleshes everything out. I give her a small plant and she turns it into a giant shrub."

Vivien: "At first everyone asked 'How can you work with your husband?' as if it was going to be a problem. It never bothered either of us because we get on well together.

We have the same goal at heart, which is the progression of the business, and there's an in-built loyalty when you're married to your business partner. At least I know he's not going to set up a rival company. Work gives us an enormous amount in common, plus we get to travel together. If we're pitching overseas we both need to be there.

A lot of our work has gone to the US networks, although Budgie the Helicopter did well in the TV ratings here. The only problem with Budgie is the UK retailers who refuse to stock the merchandise. It's wrong that adults should impose their negative prejudices on innocent children. They don't care who created the character, just like they don't care that Sooty is now owned by a bank.

Once a character and brand has been established it can go on forever because there are always new generations of children. I sometimes wish the company was just the two of us again, in the same way you occasionally wish you were a child. It's a passing, momentary thing, usually when I'm finding the office atmosphere cumbersome.

Martin tends to slow down when other people aren't around. When I go to the gym after work he goes on the Internet, hence I've lost weight and he hasn't."

Fiona Lafferty

Funny thing about jokes

Jean-Louis Barsoux warns managers that humour may help to bridge cultures but can misfire badly

Humour is one of the least understood but most powerful weapons in the manager's armoury. It can be used to influence and persuade, to motivate and unite, and to say the unspeakable.

But when it comes to international encounters, humour can be a two-edged sword. The dangers of a joke backfiring are increased when the parties concerned do not share a common culture. Humour is never explicit – something has to be left unsaid, relying on the listener for completion. If a joke has to be explained, we may understand why it is supposed to be funny but there is no flash of perception and pleasure.

A foreign listener may miss the subtle cues – a raised eyebrow or change of intonation – which signal that a comment is not meant to be taken at face value.

Worse than the mild embarrassment of a joke falling flat is the possibility of causing offence. Different cultures have different beliefs and assumptions which determine when humour is considered appropriate, what can be joked about, and even who can be joked with. Attitudes to uncertainty, status and the sanctity of business influence the extent to which humour is allowed to intrude on proceedings.

For example, in cultures where the desire to avoid uncertainty is high, as in Germany, humour, with its inherent ambiguity, is likely to be restrained. Levity will be welcomed to the extent it contributes to the *Arbeitsklima* (working environment) and supports the highly task-oriented German company. But German managers are less likely to use humour tactically, as a means of deflecting criticism, challenging authority, or defusing tension. International managers communicating in Germany should be direct.

Status is another important consideration. In some countries people may loosen up as they get promoted. But in more hierarchical cultures, such as France, the reverse is more likely to be the case.

Seniority is largely determined by intellectual achievement and academic credentials. Consequently, French *cadres* (executives) are keen to avoid being branded lightweight. So, while clever and sophisticated humour is acceptable, the risk of appearing foolish, with the accompanying loss of credibility and intellectual standing, tends to inhibit other forms of humour. Self-mocking humour may be completely misunderstood.

In many western business cultures, teasing is routinely used as a means of social control. Typically, it serves to chastise a latecomer to a meeting or to mark mild displeasure, while avoiding confrontation. But in certain Asian cultures, making fun of someone may leave managers feeling uncomfortable. In Japan managers use after-hours drinking as a functional equivalent to criticising with humour.

American managers invariably use jokes to warm up speeches and presentations, but once the real business starts, attempts at humour may be met with a frosty silence. Americans have invested heavily in a set of political and economic values embedded in individual liberty and economic opportunity. It follows that business is taken more seriously than in other Anglo-Saxon cultures, such as Britain.

International managers have to proceed with caution, but humour remains a vital means of bridging cultural differences. Shared laughter is particularly important within cross-cultural teams, where it helps to bring differences to the surface and bond the team. As the international comic Victor Borge once put it, humour remains "the shortest distance between two people".

The author is a research fellow at Insead, France, and the joint author, with Susan Schneider, of Managing Across Cultures, soon to be published by Prentice-Hall.

When stress terror tactics are delivered by the book

Lucy Kellaway

Are any of the following a problem for you? Procrastination, losing things, being interrupted, being unable to say no, deadlines, perfectionism, fatigue, a lack of stamina or creativity, inflexibility, poor memory, no social life, an inability to relax, skipping meals, lateness, difficulty in listening, no exercise, conflicting demands or a feeling that you are not rewarded enough?

If you are sensible, you will stop reading right now. This kind of soul searching is bad for your mental health. But last week I found myself doing this test which had been sent to me along with an invitation to attend a conference called Stress Management for Women. Despite the fact that I *never* skip meals, am punctual and have no difficulty in saying "no", my score put me in a category that said: "Stress is a bigger problem than you may think. Enrol today to prevent an unmanageable situation from developing."

If I am suffering from stress (which I doubt) then I blame the anti-stress industry. Nearly every week there is a new stress conference, book, or statistic designed to frighten us into thinking that we are dangerously stressed out and likely to be laid low by a combination of heart attack, stroke, irritable bowel syndrome, thyroid problems, tuberculosis or worse. You don't need to be a hypochondriac to find your blood pressure rising just reading the list.

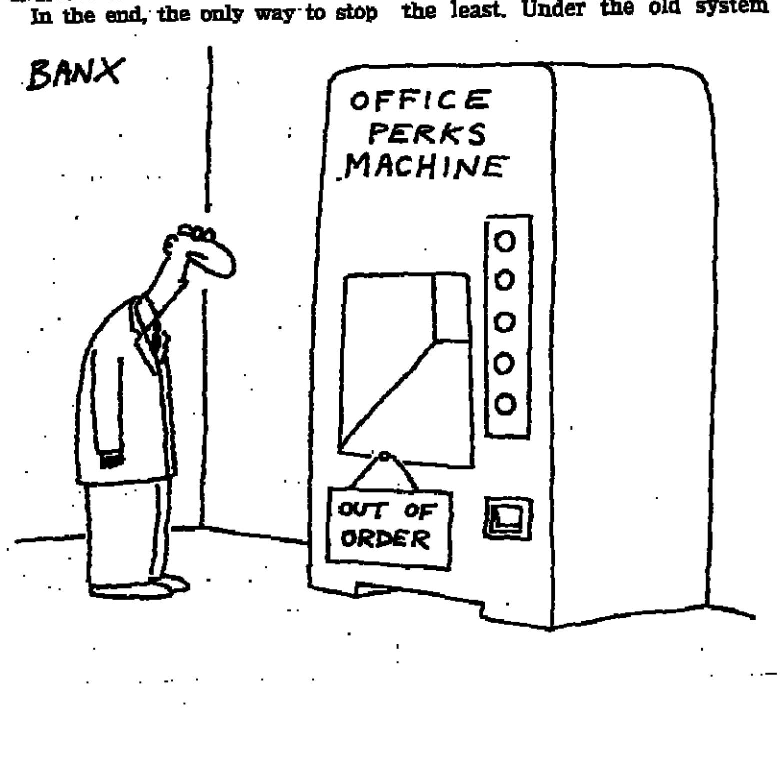
The latest example of stress terror tactics comes from former funny man John Cleese. In the forward of a book published next month*, he writes: "A lot of us can harbour a death-wish beneath our 'I'm too busy to be stressed' facade. If so, we ignore this book at our peril." Speak for yourself, John.

This book offers 50 handy ways of cutting down on stress, some of which I have tried. Take a different way to work, it suggests. I did this last Wednesday, but the journey was interminable, and I was out of sorts by the time I arrived at the office. Leave your watch off, it said. This worked fine for me, but was not so good for my colleagues who got fed up with being asked the time. Laugh and play more every day, it advised. I haven't tried this as I don't like play, as such. But the worst suggestion of all is that we should take "regular fun exercise". Taking exercise is bad enough but the requirement that we should enjoy it as well is intolerable.

In the end, the only way to stop feeling stressed is to start feeling happy. And unfortunately that is not something that a book can ever teach you.

Never mind the fact that our sister company Penguin seems to have mislaid £100m, the thing that has been upsetting us in the last week is the new coffee machine. A week ago the company took it upon itself to install supersonic new ones that promise frothy cappuccinos and hot chocolate. Are we grateful? Not in the least. Under the old system cheapskates could avoid paying 20p for a cup of coffee by bringing in their own Nescafé and using the free milk and hot water provided. Under the new system this does not seem possible. Pretty trivial, you might think. You would be quite right. However, office life is made up of such trivialities. If you have, say, four drinks a day, that is four occasions on which to feel a little stab of resentment, and four opportunities to stand at the corporate version of the village pump and spread your resentment around. In terms of productivity it all adds up.

Companies spend a lot of time worrying about how best to motivate their staff in terms of fancy incentive schemes. But what they forget is how much the little things matter. Never mind performance pay – which yet another survey last week showed to be hopeless at motivating staff – a better and cheaper way would be to provide free hot drinks and an office biscuit tin.



How many contacts have you got? If you haven't got 3,500 you can consider yourself a failure. According to a new book on networking** this is the average number that any self-respecting professional should have. These contacts should be carefully filed, cross-referenced, complete with all personal details and then graded in terms of priority – "hold", "invest" or "divest". As someone with barely a dozen contacts I find this puzzling. I can just about imagine someone obtaining and filing so many contacts. But I refuse to believe that you could do that and keep up your day job at the same time.

**I'm Too Busy to be Stressed by Dr Hilary Jones, published by Hodder & Stoughton.*

***Systematic networking by Roger Hayes, published by Cassell.*

Best of breed

Courses and briefings for top dogs are increasingly fashionable at business schools. The latest to target this niche are Templeton College, at Oxford, and the Anderson Graduate School of Management at UCLA in Los Angeles.

They are setting up the Oxford-UCLA Global CEO briefings, biannual meetings to provide executives with insights into the forces which are changing businesses and economies worldwide. Faculty from both schools will present research material at the meetings, which will last a day and a half.

"This is not about generating cash but is a genuine attempt to get in touch with international companies," says Rory Knight, Templeton's dean.

Knight envisages the forum will eventually have 40 or 50 members, with half attending each meeting. The first meeting in Oxford in May will be attended by a dozen members. All have received personal invitations from Templeton or UCLA.

DB

Rob Bodman

A muddy Manchester field: soon to be transformed into a centre for management education

Federal fillip

Manchester's universities are exploiting their management strengths, says **Della Bradshaw**

A quiet revolution is taking place in Manchester, in the UK. Later this week the first stone will be laid for a £7m building programme which will consolidate management education in the city into one of the largest business schools in the world.

It will have undergraduate degrees, MBAs, research and doctoral programmes and executive training.

"The school will be unequalled in the UK and probably in Europe," says John Arnold, director of Manchester Business School. "We expect it to be one of the top half dozen full-service business schools in the world."

The aim has been to consolidate academic resources, says Alan Pearson, chair of the management committee of the Federal School. "The prime aim was academic – not to save money."

The four partners in the Manchester Federal School of Business and Management are:

- Manchester Business School, with its 18-month MBA, doctoral programmes and executive centre;
- The Department of Accounting and Finance at Manchester University;
- The research body Prest (Policy Research in Engineering Science and Technology), again part of Manchester University;
- The Manchester School of Management at Umist, which runs undergraduate programmes and which recently received the highest accolade for its research in the UK government's recent research assessments.

Umist's MSM will move into the new £7m building in 1998, ready for its autumn intake. The Alliance Centre, as it is called – after benefactor Sir David Alliance, the Coats Viyella chairman – is intended to consolidate all management, business and accounting faculty in a single geographical group.

The Alliance Centre will be linked by a high level walkway to Manchester's accounting and finance department. This, in turn, is next door to MBS.

Manchester University is also spending a further £5m on a refurbishment project for its buildings.

A critical mass of faculty is the most obvious advantage of the federal approach. The Federal School has 200 faculty, with 45 academics who specialise in accounting and finance alone and 36 in marketing and strategy.

"It's not as if it's all new: we all know each other," says Pearson. "The big difference will be that that MSM is no longer a mile down the road."

Arnold believes the Federal School will provide the biggest area of growth for MBS, which was one of the UK's first two business schools, established in the mid 1960s with London Business School. MBS had its heyday in the 1970s but more recently its position has come under threat from some regional schools which have been innovative in attracting students and research grants.

"Research will be the first area of growth," Arnold predicts. "Research is where academics start to work together. The physical proximity is important to that."

Recently the federal approach paid off in research when MBS, MSM and Prest jointly bid for – and won – a 10-year contract from the UK's Economic and Social Research Council to run a technology management centre, a deal worth £400,000 a year.

Elsewhere Arnold believes growth for the postgraduate busines school will come through an increase in executive education and part-time and distance learning MBAs. His grand plan is to use the latest technology to have a Commonwealth MBA by the year 2002, when Manchester will host the Commonwealth Games.

"There is no limit to what can be achieved technologically. What we have to decide is how to use it," says Arnold. "That's part of the challenge."

NEWS FROM CAMPUS

Further choices for executive students

The increasing demand for executive MBAs means that both Groupe ESC Lyon, one of France's leading management education and research centres, and London Business School are offering two-year executive MBAs from this autumn.

The Cesma MBA has been taught for 25 years in its full-time format but will also be offered on a part-time basis from September. Classes will be held on Fridays and Saturdays every other week.

LBS is shortening its existing executive MBA programme from its present 2½-year format. There will also be two intakes a year, in September and January.

Groupe ESC Lyon: France, 78 33 78 00

LBS: UK, (0)171 262 5050

Cambridge one-year course is accredited

The one-year MBA course from the Judge Institute in Cambridge has been accredited by Amba (the Association of MBAs). Cambridge already has accreditation for its sandwich course.

Accreditation will mean that successful applicants for the course, which will begin this autumn, will be eligible for favourable financial loans under the Amba loan scheme.

Judge Institute: UK, (0)1223 339700

British chair for US management group

For the first time in its history, Unicon, the American-based organisation which specialises in executive education, has appointed someone from outside the US as its chairperson. Michael Pitfield, from Henley Management College, will take over the job later this year.

Unicon – which stands for University Consortium for executive education – is holding its spring conference at IMD, in Switzerland, in April. It will be attended by the directors of executive education at business schools along with human resource directors from leading organisations.

Unicon: US, 908 903 1180

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For more information visit the conference website: http://www.globalisation.com
or contact: James Harper at IFex
Tel: +44 171 483 0350
Fax +44 171 586 4241

Olympia, LONDON

Three Major FT Metals Conferences

FT Conferences, with CRU International, is organising three major events this year.
The third annual World Steel conference on 4&5 March in London.
The World Aluminium conference, in its second year on 23 & 24 June, also in London.
The World Stainless Steel conference will take place in Dusseldorf on 24 & 25 September.

Enquiries: Sarah Gibb
FT Conferences
Tel: (+44) 171 869 2639
Fax: (+44) 171 869 2696/2697

London & Dusseldorf

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Keynote speaker: Professor Robert Kaplan, Harvard University
Enquiries: Suzie Camille, CMG plc
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Fax: +44 (0) 171 976 0562

London

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Contact: Marc Lee, MD, London School of International Trade, 23 Hand Court, High Holborn, London WC1V 6JF
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LONDON

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London

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LONDON

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Enquiries: Sacha Kelly
FT Conferences
Tel: (+44) 171 869 2626
Fax: (+44) 171 869 2696/2697

London

Making the Difference

The 1997 Institute of Credit Management National Conference will identify and explore some key issues affecting those involved in credit and financial management. A comprehensive exhibition of systems and services to access the most recent commercial developments in the credit industry will run alongside the Conference.
Speakers include: Steve Redgrave CBE, Olympic Gold Medallist Rower, John Bridgeman, Director General of Fair Trading, Pam McAlester, Chairman, Federation of Small Businesses, John Holden, Chief Executive and Registrar of Companies, Companies House.
Contact: Sheila Simmons at ICM
Tel: 01780 721888
Fax: 01780 721333
Email: info@icm.org.uk

London

MARCH 25-27
European Banking & Financial Forum 1997

3 day conference in which CzechPrime Minister, top international politicians and bankers (eg Michel Camdeasus and Donald Johnston) will discuss relevant issues of banking and financial sector in CE Europe and CIS and their integration into western system.
Contact: EB&FF Center
Tel (+422 551481-84, fax (+422) 533032
email comenius@pha.pvtnet.cz

LONDON

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LONDON

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KUWAIT

Exhibition Centre Singapore

EXHIBITIONS 1997

Date	Event	No. of Exhibitors
1-5 Apr	☐ Food Ingredients Asia '97	225
2-4 Apr	☐ Mets Asia '97	250
	☐ Energy Week Asia '97	200
5-6 Apr	☐ Cosmetics, Hair, Beauty & Fashion '97 Singapore	100
9-11 Apr	☐ Interop DotCom	50
	☐ NetWorld + Interop - the Networking Summit in Asia	300
9-12 Apr	☐ Security Asia '97	280
	☐ Fire Safety & Rescue Asia '97	86
10-13 Apr	☐ Boat Asia '97 Incorporating: Tackle Asia '97, Marina Asia '97, Commercial Craft Asia '97, Water Sports & Dive Expo Asia '97	250
22-25 Apr	☐ Asian International Gift Fair 97 (held in conjunction with Asian International Handicraft Fair '97, Asian International Stationery Fair '97) (AIF)	530
23-25 Apr	☐ Asia Card Technology '97 Incorporating: Asia Banking Technology '97	50
	☐ InterAirport Asia '97	150
	☐ ScanTech Asia '97	80
23-27 Apr	☐ Consumer Goods Asia '97 - A Showcase of Products from Asian SMES	250
	☐ Art Expo '97	150
24-29 Apr	☐ TRESORS '97 - International Fine Art & Antiques Fair For Asia (AIF)	155
26 Apr - 4 May	☐ Homemakers '97	120
28-29 Apr	☐ EDICOM '97 Conference and Exhibition on Electronic Data Interchange	20
6-8 May	☐ SEMICON Test, Assembly & Packaging	170
6-9 May	☐ IMDEX Asia '97 - International Maritime Defence Exhibition & Conference Asia 1997	350

Date	Event	No. of Exhibitors
12-14 May	☐ Oceanology International Pacific Rim	150
13-16 May	☐ Tax Free Asia Pacific '97	242
14-17 May	☐ SIBEX '97 - 15th South East International & Construction Exposition Incorporating: AIHEX '97: 3rd S E Asian International Building Services Exposition; AIDEX '97: 3rd SE Asian International Hardware Exposition; REHVAC '97: 2nd S E Asian International Refrigeration, Heating, Ventilation & Air-con Exposition A/E/C System '97	200
16-18 May	☐ Asian Diver Exhibition & Conference '97	250
22-25 May	☐ Zoorama 1997	52
	Aquarama '97	110
27-30 May	☐ Asia Pack '97/Asia Print '97 (AIF)	400
2-6 June	☐ The Annual Meeting of the International Society for the Study of Lumbar Spine	25
3-5 June	☐ Pharmaceutical Ingredients Asia '97	120
8-13 June	☐ 19th International League Against Rheumatism (ILAR) Congress of Rheumatology	220
9-14 June	☐ Asia Telecom '97	400
11-13 June	☐ 11th International Symposium on Contact Dermatitis	15
17-20 June	☐ Shop Design Asia	200
18-20 June	☐ Cannex '97 - The International CanMaking Technology Exhibition	180
20-29 June	☐ World Book Fair '97 Incorporating: 12th World Chinese Book Fair, World English Book Fair, World Electronic Book Fair	300
26-29 June	☐ The PC Show '97 Singapore Incorporating: The Software Show '97	350

Information is correct at the time of printing. Please contact the respective organisers for the latest details.

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☐ more information about the Exhibitions indicated ☐ Singapore Convention & Exhibition Calendar

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Training Directory

The Securities Institute, the professional body for the securities and investment industry, are compiling a training directory as part of with their Continuing Professional Development (CPD) scheme, which is being launched April 22nd.

The directory, which is aimed at training managers and participants of the scheme, will provide details of training companies with an index of courses. Any training companies, freelance trainers or conference providers who specialise in financial training and require further details should contact:

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Financial Times

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Brand new incarnation at the Pru

Alison Smith, Marketing Correspondent, on the fresh face of the life assurer

The roll-call of British business leaders strongly linked in the popular mind with the companies they run *does not extend much* beyond Richard Branson of Virgin, the cola-to-airline group, and Anita Roddick of The Body Shop.

But if the £20m ($33m) advertising campaign launched by Prudential, the UK's largest life assurer, has an impact, a new name may be added to that list: Sir Peter Davis, the Pru's chief executive.

The television advertising started last Friday and featured Davis as the Man from the Pru. It is a revival of a slogan the company last used nearly 20 years ago, when the "man" involved was a door-to-door sales agent slogging from client to client to collect payments and advise them what other policies they should buy.

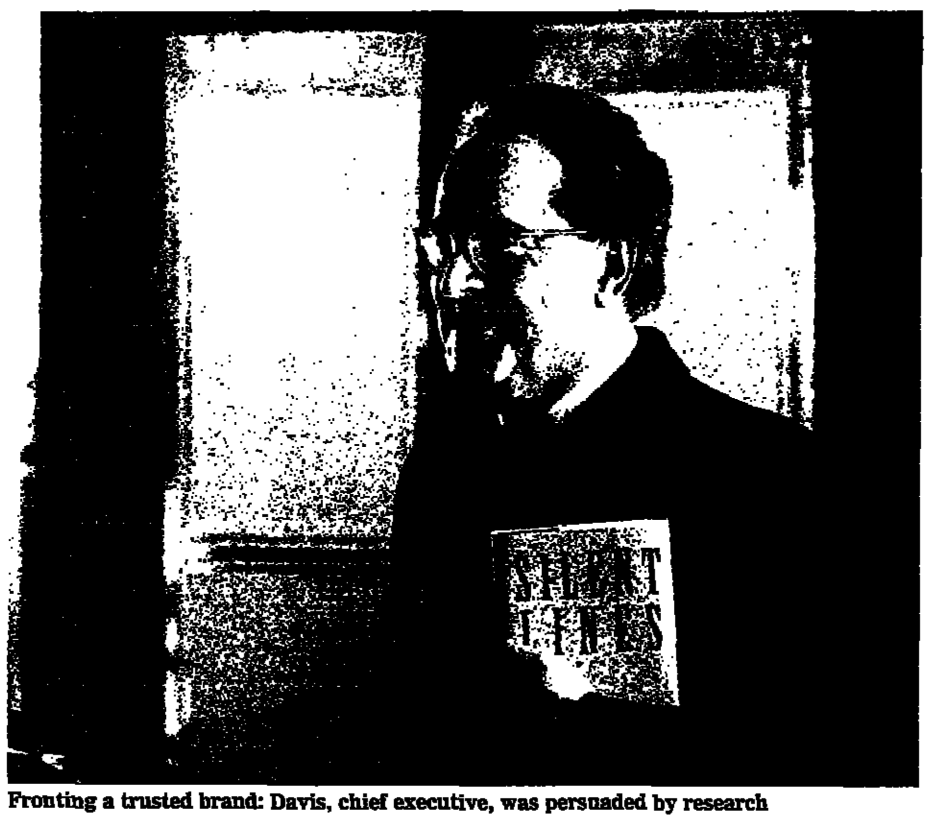
As well as appearing in two of the first ads, Davis does the voice-over for the others, and his signature appears on the newspaper advertisements and 2,200 posters that form part of the initial campaign.

"I was happy with Peter's performance, but told him not to give up the day job," says David Abbott, creative director of Abbott Mead Vickers, which is masterminding the campaign.

The Pru's is not an obvious strategy, whatever the nostalgic regard for the image of the old-fashioned sales agents evident in the consumer research carried out before the campaign.

Although one of the more accessible figures in the generally staid UK financial services sector, Davis is neither a balloonist with a gift for self-publicity (Branson) nor a high-profile advocate for endangered species (Roddick).

Moreover, the revival of the slogan comes when Prudential has already stopped selling the small-premium, cash-collection policies most associated with the man from the Pru in his original incarnation as Fred Sawyer, an agent in Kent. The new advertising is intended to address two problems for UK financial services marketing: large institutions such as life assurers are often seen as lacking humanity; and financial advertising can encourage people to make more provision for themselves without being closely identified with the organisation it is promoting.



Fronting a trusted brand: Davis, chief executive, was persuaded by research

Abbott says that the man from the Pru needed to be updated, but was a sensible start in thinking about branding. Although he had become a logo in the late 1970s, Abbott believed a real person should be used. "The thought scared me, but why not start with one of the bosses?

"It's very modern for the chief executive or chairman to go public about his company. It happens less in the UK than in the US, but is enormously potent if you do it well."

Davis was persuaded by research which showed that starting the campaign with him – it will feature other senior people at the Pru – was effective in updating the image.

"The campaign is wonderfully capable of development. I read the research and believed it, and I trust David," says Davis.

Against a background of rationalisation within the UK life sector – Prudential itself is one of the bidders for Scottish Amicable, the mutual life assurer – he is clearly aware of the need to produce an effective, well-branded campaign.

"Prudential is certainly one of the most trusted brands, but at a time of consolidation it is important to keep investing in that brand," he says. "We haven't been spending at the same rate as some of our competitors in recent years, partly because of doubts about its effectiveness."

Previous ads have faced different problems. In the early 1990s, consumers liked the Pru's "I want to be . . . " campaign, which suggested reasons why clients should want to be with Prudential, but was not particularly well-associated with the company. A later campaign, inviting customers to "Talk to Prudence" – the company logo which had been introduced in 1986 – was well branded but less warmly received.

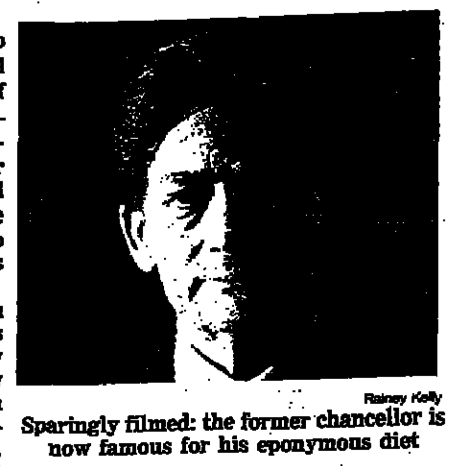
Davis walking in the rain or sitting in a restaurant is unlikely to prove as memorable or popular as the black-caped young woman who has been the distinctive image for life assurer Scottish Widows for more than 10 years. But just by taking the risk of looking silly, he has already achieved a level of press interest in his company's advertising that other financial services organisations might well envy.

Ad in the News: M&G Peps

Lighter Lawson lends weight

It is still a shock to see the slimline Nigel Lawson. Images of Britain's once-corpulent former chancellor of the exchequer holding his battered Budget briefcase aloft are etched deep within our memories of the Thatcher era.

Since then, Lawson *has become famous* for his extraordinary diet and for his new thin image. He even wrote *The Nigel Lawson Diet Book*, appearing almost anywhere to promote it.



Rainey Kelly

Sparingly filmed: the former chancellor is now famous for his eponymous diet

Still, it was a real coup for the Rainey Kelly Campbell Roalfe advertising agency to land Lawson for the new campaign for M&G personal equity plans.

Peps are hardly the sexiest product to advertise, and M&G, unlike Prudential or Scottish Widows, is not a household name through consistent television advertising.

Most Pep ads appear in the national press and, almost always, are not at all well differentiated. The net result for consumers is they tend to blur into one confusing mass.

M&G has tried hard to brand itself with this campaign. Having hired Lawson, they don't just shoot him as a talking head direct to camera, but use him sparingly in *two highly stylised commercials.*

In one, he is swivelling on a chair in the distance with a shaft of light shining on him. He watches his old self on television, and recalls launching Peps in 1987. Suddenly, Lawson appears in close-up to quip: "I must have been in a very generous mood."

In the other ad, Lawson is again in the distance, walking through a deserted library talking about his new slim figure: "There aren't many certainties in life – who'd have predicted the new-look me?" As the camera pans along a bookshelf, Lawson appears in close-up to select his diet book: "If you want to lose pounds, why not try this slim volume, but if you want to gain pounds, try a Pep."

The self-conscious art direction serves two purposes. The first is to maintain the surprise that it really is Lawson. The close-up after the longshots is what admen call a "reveal".

A more cynical view is that the new-look Lawson is actually quite a shocking sight. Out of context, one might not even recognise him. The old skin hangs off the new frame in an alarming manner. He is a curious advertisement for his own diet.

That aside, Lawson's role in the ads, for which he *will have been* paid about £100,000 ($163,000), has already attracted controversy. Labour MPs have asked whether politicians should be able to endorse products resulting from legislation they introduced when in power.

That shouldn't worry M&G. It is hard to imagine a more convincing "celebrity" endorsement. Other financial sector advertisers will kick themselves for not having thought of him first. But M&G got him, and it has produced what previously appeared oxymoronic: memorable Pep advertising.

Stefano Hatfield

The author is editor of Campaign.

CD-i offers food for thought at Burger King

Thousands of employees of the US food chain Burger King are noticing a new look to their training programme this month. Instead of using video tapes and paper-based tests, workers will use Compact Disc Interactive (CD-i), a format developed by Philips, the Dutch electronics group, and the Japanese companies Sony and Matsushita.

CD-i was designed as a consumer format, but failed to sell. Now it is being used for training, education, point-of-information kiosks, background music systems and in a large-scale home shopping trial in Europe that will allow consumers to order goods online.

A CD-i player links up to an ordinary television set and is operated by a remote control handset rather than a keyboard. CD-i discs can store sound, text, graphics, animation and VHS-quality moving video. The discs can hold up to 16 different soundtracks.

The technology is impressive, but its initial marketing was flawed, says Tony Feldman, a London-based multimedia consultant.

"CD-i was based on one very good and one very bad idea," he says. "The very good idea was to create a computer . . . that was disguised to look like a domestic appliance. The very bad idea was to imagine that it would be used by a nuclear family sharing a rich, interactive experience together in *front of their television screen in the* living room."

CD-i was launched in the US in 1991, and in Europe the following year, but sales of consumer CD-i players have been disappointing. So much so, that last summer Dixons, Britain's leading electrical retailer, dropped the format.

"We haven't abandoned the consumer market, but our new sales strategy is to go out to the professional sector and make corporates aware that *CD-i is still around and still a viable* product," says Ian Knight, corporate sales manager of Philips Media Systems. Whereas a CD-i player costs about £400 ($652), a multimedia PC costs about four times as much.

Calculations like that one encouraged Burger King to opt for CD-i, says Kevin McNamara, the company's director of worldwide training.

"We reviewed training technologies ranging from CD-Rom to satellite network and Internet training, *but found* CD-i to be by far the most cost-effective."

Burger King plans to use CD-i in most of its 9,000 restaurants worldwide by the end of this year, and is putting 10 of its existing video tape training programs on to CD-i discs. Other companies using CD-i training programs include Chrysler, Sears Roebuck and McDonnell Douglas.

In the consumer sector, CD-i proved to be the right technology in the wrong market, but in training and education, the format has been much more successful. In other words: if at first you *don't succeed, try another market.*

George Cole

A vision for the neighbourhood: "Other areas just don't have the cachet Harlem has. Everyone's heard of Harlem."

Hip-hop Harlem trades up

The former byword for urban distress is changing, writes **Victoria Griffith**

US retailers hoping to appeal to blacks and Latinos have an opportunity to show they mean business by involving themselves in a new shopping complex planned for Harlem, New York.

In the first advance by national chain stores into the district, Harlem USA, as the complex has been dubbed, has already lined up the Disney Store, the Gap clothing chain and Radio Shack electronics. Grid Properties, the complex's developer, says it will soon announce that a music store and video rental chain are also joining the project.

Harlem USA is a golden opportunity for retailers to show their commitment to the black and Latino markets, which are attracting a lot of attention in the US.

"There is a feeling that the suburban markets in this country are saturated, with little growth potential," says Jerry Davis, managing principal of H.O.K., a Manhattan architectural firm specialising in retail projects. "The inner cities, especially minority neighbourhoods, are the only heavily under-served areas left."

Inner-city neighbourhoods are also attractive to retailers because they influence fashion nationwide. The baggy jeans, extra-large shirts and reversed baseball caps of black hip-hop, for instance, have become standard wear for suburban adolescents.

One of America's hottest designers last year, Tommy Hilfiger, owes his success largely to his clothing's popularity with blacks and Latinos.

The upper tip of Manhattan spend $2.4bn (£1.43bn) a year. Their income has risen more than 200 per cent in 10 years, and now stands at about $23,000 a family. Middle- and upper-income blacks have started to move back into the neighbourhood.

> Inner-city neighbourhoods are attractive to retailers because they influence fashion nationwide. The baggy jeans, extra-large shirts and reversed baseball caps of black hip-hop have become standard

Last month, the advertising firm DDB Needham announced a joint venture with black film director Spike Lee to target appeal to the "urban" market.

"Kids from these neighbourhoods often set the tone for trends around the country, and we want to be in touch with them," says Keith Reinhard, DDB's chairman, of the tie-up with Lee.

Once a byword for inner-city deterioration, Harlem today is far more economically vibrant than its image sometimes indicates. Residents of the upper tip of Manhattan spend $2.4bn (£1.43bn) a year.

But in spite of the upswing, the area remains distressed. Harlem USA, forecast to create 500 jobs, is expected to become the biggest private employer in the area.

Shops in the complex will be required to employ a large number of Harlem residents, since some of the project's money is being provided by federal "empowerment zone" funds. Because crime is a concern for retailers in the area, Grid Properties is developing a tight security plan.

A presence in Harlem not only gives retailers the chance to reach out to demographic groups that have suddenly become attractive. It also fosters an anti-racist image, and that is increasingly popular with consumers.

The footwear retailer Timberland, which says it is considering setting up a large store near the Harlem USA complex, used the slogan "Give Racism the Boot!" as part of a nationwide advertising campaign several years ago.

Although the Harlem USA project seems likely to improve a district once considered among the worst slums in America, observers are sceptical about the likelihood of the concept spreading to other poor inner-city neighbourhoods.

"Other areas just don't have the cachet Harlem has," says one retailer. "Everyone's heard of Harlem. Having a store there means something."

Drew Greenwald, president of Grid Properties, says that assertion is simply not true. "Any retailer who doesn't know the accomplishments of the black community over the last decades must have its headquarters in Podunk [ie, in the middle of nowhere]," he says. "Harlem's just the first step. We're planning to go into the Bronx, South Bronx and other black neighbourhoods, too."

Nibbler with an eye on the dish

Raymond Snoddy talks to the chairman and founder of EchoStar Communications

In terms of the media, Denver, Colorado, is best known as the home of John Malone, chief executive of Telecommunications, Inc, the largest cable company in the US and one of the largest media groups in the world.

Malone is wrestling with the complex task of how best to upgrade his networks to digital, complete with interactive and telephone services, at a time when high-power direct satellites are nibbling away at his cable subscription base. TCI is also the lead investor in Primestar, a satellite system launched by the top US cable operators largely as a defensive mechanism.

One of those "nibblers" is Charlie Ergen, chairman, chief executive and founder of EchoStar Communications, which can be found only an $8 cab ride away from the plush TCI headquarters in Denver.

EchoStar, which runs the Dish Network, is small but is the fastest growing television satellite service in the US. From a standing start in March 1996 it had attracted more than 350,000 subscribers by the end of the year.

The company has launched a straightforward and aggressive marketing campaign against the often unpopular cable operators. The message is: "Own a complete 18in satellite TV system for just $199 when you purchase one year of programming for just $300."

Last November, when citizens of Boulder, Colorado, voted not to renew its TCI cable television franchise, EchoStar offered free dishes to those willing to take up a one-year subscription.

"Once your neighbour has a dish and you go over and see the dish – digital TV, interactive programme guide and surround sound – it is hard to go back to your cable," says Ergen, who first went to Denver in 1980 to sell large satellite television dishes (then costing $10,000) from a small retail store.

The first EchoStar digital satellite was launched from China at the end of 1995. The second – expanding the company's capacity to deliver 200 channels of digital video, audio and data services all over the continental US – was launched last September. A third is due for launch this autumn.

The programme packages include the top 50 US channels plus regional sports and near-video-on-demand showing movies starting every 15 minutes. Under US media legislation, a company like EchoStar, which owns no programme channels, has the right to offer programming on fair commercial terms.

> "Once your neighbour has a dish and you see it, it is hard to go back to your cable," says Ergen

EchoStar can expand its services almost infinitely because it has access to a total of 90 direct broadcast satellite (DBS) frequencies, each of which can be turned into many television channels using digital compression. That compares with 54 allocated to DirecTV, the giant of the US satellite television industry, owned by General Motors, with more than 2.3m subscribers, and Rupert Murdoch's ASkyB, which plans to launch later this year with 28 frequencies. Other operators include USSB, which uses the DirecTV satellite system.

Ergen, the satellite "minnow", is happy that important players such as Murdoch plan to join heavyweights like DirecTV in US satellite television.

"I think the loser when Murdoch enters the business will be the cable industry," says Ergen, who believes ASkyB could help drive DBS in the US towards 20m or even 30m homes compared with the 4m or so satellite subscribers now.

Even if EchoStar fails to make inroads into the cable market, Ergen believes he will attract millions of subscribers in rural areas where it will never be economic to lay fibre optic cable links.

"In a capitalist country like the US, the low-cost producer is likely to be a winner," says Ergen, who is still in the start-up, loss-making phase of his business.

The EchoStar digital boxes already have a modem for ordering information, buying magazines or downloading Internet pages. Ergen envisages customers taking a smaller second dish for downloading data and believes the technology needed to have daily newspapers delivered to PC screens by satellite is only six months away.

"I only need 1,000 subscribers to the Wall Street Journal paying $50 a year for it to be economic to put on the satellite," says the EchoStar chairman.

As the battle gets under way in the US between satellite and cable, and between the competing DBS operators, there is no doubt that the outlook for satellite services has been transformed. Two years ago, it seemed that the large telephone companies were invading the media business and planning electronic super-highways.

"Now the telephone guys are just trying to protect the telephone business," says Ergen, who notes that the US cable industry is also concentrating on holding on to its customers.

Tim Jackson

FarSighted approach to finance

Piggy-back riding, in which a newcomer catapults itself into a leading market position by signing up with powerful partners, is common in many industries. But it is becoming almost a standard feature of business on the Internet. A case in point is FarSight Financial Services.

FarSight is a venture backed by D. E. Shaw, a New York investment bank that leapt to prominence by using computer software to spot opportunities for market arbitrage. It joins a brace of other successful Internet businesses that have been covered in this column: Juno, a free e-mail service supported by advertising, and Amazon, an online bookshop.

But FarSight is closer to D. E. Shaw's core competence. When the venture began in 1994, there was a clear gap in the market for delivering stockbroking services over the Internet. Shaw, with an electronic trading system already in place and plugged into America's leading stock exchanges, seemed perfectly placed to fill it.

But events move fast on the Internet. Just over two years later, the US has probably a dozen online brokerages, offering flat-rate prices as low as $12 (£7.50) to buy or sell a block of shares. The market is already fiercely competitive. There is little room in the market for newcomers, and the marketing investment required to carve out a position would be considerable.

With FarSight, D. E. Shaw has avoided entering a head-to-head contest with the industry's giants. Instead, it has developed a package that allows most kinds of financial services to be delivered over the World Wide Web, including banking, credit cards and broking.

The package can be seen in demonstration form at www.farsight.com. But rather than operating and marketing the service independently, D. E. Shaw has chosen to deliver the site on an OEM basis to other companies in the financial services industry.

OEM stands for "original equipment manufacturer", and it describes the common practice in which one company builds a computer but the machine is marketed under the brand name of another company. This practice has led to the rise of very large PC manufacturers whose names most consumers do not know. In financial services, its most prominent manifestation is in "affinity cards", where a credit card company offers branded cards to members of a big organisation such as an airline's frequent flyer club or an environmental organisation.

FarSight takes this practice further. It offers its web site technology to mutual funds (the equivalent of Britain's unit trusts) and to regional US banks. These clients can then offer web sites of their own which deliver a full online financial service.

The short-term advantage to FarSight's industrial customers is that they can acquire a web presence with proven technology for a fraction of the cost of building one themselves.

Alex Stein, a former semiconductor engineer who is one of FarSight's two co-founders, cites industry research suggesting that banks and mutual funds can easily spend $3m on such a project. Choose the FarSight way, he says, and a client can deliver an online service to a few hundred thousand customers for only $1 apiece in the first year, and then $0.25 a year thereafter.

FarSight allows banks and mutual funds to keep all the revenue from their own customers' use of the service. The quid pro quo is that the client has to hand over the revenue from the rest of the services on the web site, notably FarSight's brokerage service.

In the longer term, Stein tries to persuade clients to compare FarSight's offering with Intuit or Microsoft, the companies that make the world's two leading pieces of personal finance software. Although many banks in the US and a few in Britain offer online services that allow customers to transfer their bank statement data directly on to their own PCs, the banking industry is paranoid about the risk that the software companies will suck the profitability out of online banking, and ultimately capture the loyalty of their customers.

The FarSight formula, Stein insists, offers no such dangers. "We ask our allies [ie, clients] to assume that this is a highly successful undertaking, and that two years down the line 30 per cent of their revenue comes from this online channel," he says. "Then comes the question: Is your relationship with the online provider one that leaves you in a position of strength?"

The first "ally" to sign up is Lindner Funds, a small no-load mutual fund company that is the equivalent of a British unit trust provider, which opened a FarSight-powered web site last week. (It is at www.lindnerfunds.com). Stein says that the company has other contracts in the bag.

It is too soon to say whether or not the FarSight strategy will work. But two observations are inescapable. First, the design of the Lindner and FarSight sites – remarkably easy to use and free of gimmicks – is likely to be a powerful influence on the way online financial services develop.

Second, the concept behind the site makes sense. Once customers get used to the idea of being able to see their credit card bills, investments, bank statements and pensions on the same web site, they will wonder why they ever went to the trouble of dealing with these affairs separately.

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Cyber sightings

● Using contests on the Web to attract traffic to your site is nothing new, but rather than a T-shirt, risqué mousemat or year's subscription to some obscure magazine, giving away £1,500 worth of legal advice isn't a bad hook.

Scottish employment law firm McGrigor Donald offers such a prize for winners of a quiz at its Web site (www.mcgrigors.com). You can only claim the prize under English or Scottish jurisdictions, however. Yet the site is worth a look in any event.

Details of legal briefings and upcoming seminars on legal issues are featured, as well as online articles including guidance on using e-mail in business.

One of the site's designers, Christine McLintock, is a partner at the firm. She says the priority was to make the site informative and interactive while being easy to navigate.

● Details of next weekend's Cyberposium conference at the Harvard Business School are at http://wasat.hbs.edu/cmc/cyberposium. There are notable guest speakers and conference proceedings will be cybercast.

● Britain's Business Magazine Group has put up a site (www.bmgroup.co.uk) which gives access to the group's business titles and allows users to search UK company profiles.

● Want to know the exact figure for the US public debt? Right now? To the cent? Then try the Treasury Department's Bureau of the Public Debt (www.publicdebt.treas.gov/opd/opd.htm)

● War Child, a celebrity-backed charity raising money for children in the world's troublespots, is to auction artwork by musicians, and has put pictures and explanations by names such as David Bowie, Paul McCartney and Kate Bush up at www.fusion-i.co.uk/milestones.

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BUSINESS TRAVEL

Travel News · Roger Bray

Fare warning

European business travellers face steep rises in international air fares over the next few months, warns American Express. Business and first-class air fares from western Europe rose last year, while those for the back of the aircraft fell.

The good news, says Amex in its latest quarterly review, is that prices reached a plateau at the end of last year. The bad news is that present stability is just the calm before a new storm, with rising jet fuel costs and a stronger dollar yet to make a significant impact.

In the last quarter of 1996 first-class fares were 2 per cent higher than a year earlier, business-class fares had risen 3 per cent, and full economy 1 per cent.

Kyle Davis, head of the company's air fares management unit, says: "We believe we will see further sharp increases, averaging 3 per cent to 4 per cent overall, in the early months of this year. In some markets – such as France and the Netherlands – which have not seen recent, significant rises, it could be as high as 10 per cent."

Instant visas

Australian visas will be issued instantly and electronically through UK travel agencies from March 24. The agent will tap in the passport number, which will be flashed to Canberra, where it will be checked against a list of undesirables.

Theoretically travellers should be issued with a visa number within 25 seconds. There is no fee, although some agents may charge for the service.

Airline computer software needs to be updated to cope with the change, because airport check-in staff must see the visa number on their screens when they type in travel details. If it does not appear, the customer won't travel.

Carriers participating in the scheme so far are British Airways, Qantas, Singapore Airlines and Landa. Others will be drawn in progressively. The new visa system has been launched already in Los Angeles, Japan and Singapore. The UK is the first European testbed, but the Australians expect to extend the idea across the continent late this year.

Plan scrapped

Switzerland's Crossair has abandoned a plan to fly between Zurich and Sarajevo. The launch had been delayed because of concerns about airport infrastructure, including the lack of an instrument landing system.

The plan has been overtaken by a shake-up at the airline, which has grown rapidly in the past two years.

In a drive to stay profitable in the teeth of fierce competition Crossair will concentrate on lucrative routes and drop some others. So frequencies from Geneva to Toulouse and Marseilles are being increased, for example, while Geneva-Valencia flights are being scrapped.

Call for more

Be prepared to fork out extra for satellite cardphone calls from Kazakhstan. The central Asian republic's telephone system remains poor, warns Lufthansa in the second of a series of regular briefings for business travellers to eastern Europe and the former Soviet states.

Prospects for better telecommunications look brighter in Turkmenistan, a neighbouring country to the south. The airline says the local section of the transasia-Europe fibre-optic communications link is due to be completed this year.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	11	9	[illegible]	[illegible]	[illegible]
Hong Kong	15	17	17	18	19
London	[illegible]	[illegible]	12	10	12
Frankfurt	8	11	8	10	10
New York	[illegible]	7	11	13	16
L. Angeles	19	22	24	21	24
Milan	[illegible]	[illegible]	11	11	12
Paris	11	11	12	12	12
Zurich	8	11	10	[illegible]	[illegible]

Information supplied by Meteo Consult of the Netherlands. Maximum temperatures in Celsius

Amon Cohen reports on the risks of pitching camp on the wild commercial frontiers

To Russia with caution

If you thought Perm was an unfortunate hairstyle sported by professional footballers during fashion's dark ages, think again, for Perm is a city in the middle of Russia to which Lufthansa will be flying from March 31. On the same day, it also starts a service to Kazan, a place equally unfamiliar to many business travellers.

Obscure as these cities may be, there is a better chance than ever that professional travellers will be venturing into the Russian hinterland this year.

According to Control Risks Group of the UK, which specialises in advising on security issues around the world, the exploration of *terra incognita* is speeding up as commercial exploitation enters a new stage in Russia.

"The first two stages – opening representative offices to look at the market and then setting up joint ventures – were concentrated on Moscow and St Petersburg," says Richard Fenning, CRG business development manager. "The third stage is to form wholly owned subsidiaries and put out products throughout Russia. As a result, westerners are now travelling all over the Russian Federation."

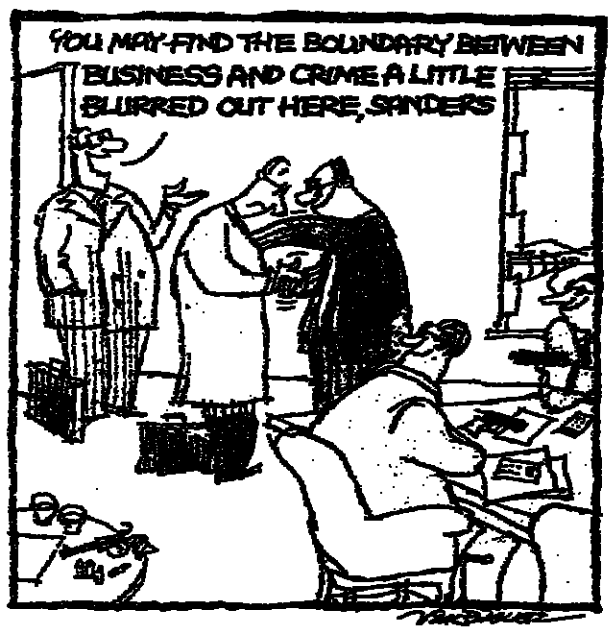
This is one example of why, according to Fenning, "the door for commercial opportunities around the world is open wider than ever before". With communism virtually dead, liberalisation increasing in South America and even a few African countries trying western-style economics, multinationals are eyeing dozens of new markets.

But, Fenning warns, the door could suddenly slam shut, leaving investors out of pocket and their employees marooned in locations which threaten their personal safety. An assessment of these opportunities and risks is found in CRG's *Outlook '97* report, which gives business, political and security ratings to every country.

Apart from obviously dangerous places such as Algeria and Colombia, the countries of the former Soviet Union, including Tajikistan and Azerbaijan, remain among the world's most volatile. And while doubts remain over President Boris Yeltsin's health, Russia can be included in this reckoning.

CRG believes that although travel to unknown parts of Russia can be hazardous, the threat is more to businesses than their employees. "You may well find yourselves victims of extortion or that your bank or joint venture is being used for laundering by criminal organisations," says Fenning.

"In emerging economies, it is often the case that the distinction between business, crime and politics is blurred. The starting point for anyone visiting these areas is to understand how politicised the local business is, and to what extent it has been infiltrated by criminals. There is little point learning how to avoid being mugged or to drive out of a car-jacking if you don't understand the wider situation."



Few people speak western languages on these commercial frontiers. Along with lower standards of accommodation, food, transport and telecommunications, it soon becomes clear that such a move east is not easy.

"Companies should not underestimate how demanding this can be, and we advise them to send people who are accustomed to difficult circumstances and thrive on it," Fenning says.

"In the past, some firms took people straight out of university, resprayed them as lawyers and accountants and expected them to cope. That is how a lot of the horror stories started." Nevertheless, he insists, with careful planning, consultation and selection of the right personnel, it is possible to set up almost anywhere in the former Soviet Union and overcome the high levels of crime and corruption.

CRG's *Outlook '97* report also warns that, though not yet as bad as in Russia or Ukraine, organised crime became a problem in central Europe last year. Most dangerous is Bulgaria, followed by Poland, Hungary and, to a lesser extent, the Czech Republic, Romania and Slovakia.

CRG advised foreign companies facing extortion in both Hungary and Bulgaria last year. Crimes such as car-jackings and bombings of commercial targets are often perpetrated by former soldiers although, bizarrely, the most powerful gangs in Romania are Chinese-run, a legacy of Sino-Romanian ties since the 1950s.

"The number of extortion demands against foreign companies [in central Europe] is set to increase," warns *Outlook '97*. "All companies are inevitably at some risk, though cash-intensive industries – such as bars, restaurants, casinos, shops and petrol stations – are at most threat."

The other significant commercial frontier is China, where incursion by foreign businessfolk is expected to go beyond Beijing and Shanghai in 1997. Here the concern is less about crime than about corruption, and whether western companies are protected by the Chinese legal system.

"In China, the boundaries between legality and illegality are often unclear," says *Outlook '97*. "Western companies have been penalised when their employees have crossed a boundary line they did not know existed." Such doubts are not restricted to China. According to a poll of 65 foreign companies operating in Venezuela, international businesses there also see judicial insecurity as their greatest problem.

As for China's resumption of sovereignty over Hong Kong, CRG has few fears about security but believes corruption can be expected to increase and threaten the colony's eminence as a financial and trading centre.

In case any of the above makes westerners feel smug about their own secure environments, CRG has a warning for them, too: beware the millennium. "Apocalyptic visions of Bulgarian mafiosi getting hold of nuclear weapons and threatening to blow up the US are still remote, but be wary of big events," cautions Fenning.

Outlook '97, *£140: contact Claire Wilkinson at Control Risks Group, London, tel: 0171 222 1552.*

New line on hotel phones

Bleepers, mobile phones and laptop computers have made business travellers less dependent on hotel telephones – particularly those which still charge high rates, Scheherazade Daneshkhu writes.

Carlson Wagonlit, the business travel agent, says that only 35 per cent of UK business travellers use the hotel telephone compared with 53 per cent a year ago.

Mercury, the UK subsidiary of Cable and Wireless, found in a recent survey that almost half the business travellers it surveyed in the UK preferred to use a mobile phone in their hotel bedroom instead of the telephone.

New technology and competition from other providers – such as telephone charge cards – have forced hotel groups into rethinking their policy towards telephones.

"Traditionally, hotel telephone charges have been quite steep," says Arie van der Spek, vice-president of sales and reservations at Holiday Inn.

"But the hotel industry today is taking a more realistic approach. We now regard the telephone as a service for the guests, not a way of deriving income."

In fact, many hotel groups go out of their way to help business travellers avoid their bedroom phones by providing mobile phones for rent. And while some still charge guests for using telephone cards, others have dropped charges.

Marriott, for example, removed access fees on guest room telephones in the US in 1995 but operates different policies outside the US.

"It varies by market and local infrastructure. In Beirut, for example, where the hotel has over 20 lines which are not dependent on the local supplier, the telephone charges reflect the investment the hotel has made in the system," it said.

Business travellers do not have to go to Beirut to grumble about their telephone bill. Mercury says that 84 per cent of business travellers believe that the costs of hotel telephones in the UK is still unreasonably high.

It found that the worst offenders – those charging the highest fees for making calls and failing to provide sockets and faxes – tend to be independent hotels.

It found that, in general, large four-star hotels have been quickest to respond to competitive pressure by ceding to guests' demands.

ARTS

OPENINGS

GLASGOW
The first performance of *Meditation on Iona* by Scottish composer James MacMillan (left) marks the completion of a *series of cross-artform* collaborations commissioned by the City of Glasgow. The new work, *created in collaboration with* sculptor Sue Jane Taylor, will be played by the Scottish *Chamber Orchestra at the City Hall on Friday and at the* Queen's Hall in Edinburgh on Saturday.

BONN
St Petersburg's Hermitage Museum is the latest of *the Great Collections* to be showcased at the Kunst-und *Ausstellungshalle.* Half of the exhibition is devoted to archaeological treasures, *including ancient Scythian gold* and highly decorated weapons. The other half features 65 paintings and 50 drawings from the Baroque era, including works by Caravaggio, Carracci, Poussin and Claude Lorrain. The show opens on Friday.

HAMBURG
Hamburg's new Museum of Contemporary Art will *be inaugurated* on Sunday. Designed by O.M. Ungers in the shape of a cube, with an underground link to the Kunsthalle, *it will house* the city's collection of international art from 1960 to the present, *leaving the Kunsthalle* to focus on German Romantic painting and Classical Modernism.

LONDON
Modern Art in Britain 1910-14 looks at the exhibitions of European art which introduced Cézanne, Van Gogh, Gauguin (above), Matisse, Picasso and others to the UK before the first world war. Their paintings will be shown alongside examples *of* work by British artists who came *under their* influence. Another exhibition explores the careers of *the most innovative of postwar* British potters, Lucie Rie (1902-95) and Hans Coper (above) *(1920-81). Both exhibitions open at the Barbican on Thursday.* Meanwhile, the Tate Gallery offers the first major British *retrospective of Lovis Corinth,* the early 20th century German expressionist painter.

Ralph Fiennes returns to the London stage on Wednesday, in the title role of Chekhov's *Ivanov*, at the Almeida Theatre. As with his *Hamlet*, Jonathan Kent directs. Harriet Walter co-stars.

STOCKHOLM
Das Rheingold, the first instalment of a planned *Ring cycle at the Royal Theatre,* opens on Saturday. The conductor is Leif Segerstam and the producer Kalle Holmberg.

GENEVA
The Swiss have been slow to champion the works of their greatest composer, Othmar Schoeck (1886-1957), so it is brave of the Grand Théâtre to *tackle Venus*, a *melodrama* imbued with Schoeck's distinctive brand of Romantic Expressionism. *Paul Frey and* Adrianne Pieczonka take the leading roles in a staging conducted by Mario Venzago.

Benjamin Zander: specialist in leadership training and conducting Mahler — Malcolm Watson

Business looks up to the baton

David Murray talks to Benjamin Zander

Two years ago, Benjamin Zander came to the Barbican to conduct the Philharmonia in Mahler's monster Sixth Symphony. Though he is London-born, few had heard of Zander before; but neither had we heard a live performance of the Sixth like his, not in many years. It made a profound impression. Last year he returned (from America, where he has lived all his adult life) to conduct Mahler's Ninth – same band, same venue: again a packed hall, a formidable success and a sustained, heartfelt ovation.

Those occasions, it turns out, were respectively Zander's first and second engagements with any major orchestra, though he is already 58. Furthermore, they involved corporate support of a quite unusual kind. He has found a second career, addressing American corporate executives on "leadership", trading heavily upon his experience as conductor (he even has them attend his rehearsals), and they are much impressed.

Coopers & Lybrand staked him to that first Philharmonia concert, and since then the Young Presidents' organisation has been renting other foreign orchestras for him, less famous but good: St Petersburg, Korea, Hong Kong. Next month he returns to conduct the Philharmonia in Mahler's Second, this time in the South Bank.

Two days after his Mahler Nine with the Philharmonia (who played up with sterling recklessness), he came round to talk: urbane, bright-eyed, loquacious. Yes, Michael Zander – professor of law at the *LSE*, a renowned spokesman for liberal jurisprudence – *is* his brother. His other brother is a senior doctor who proselytises for home births, and their art-historian sister is married to the president of Harvard. Those three were born in Germany, before their Jewish parents fled to Britain; only Ben was born here.

Their father, who died three years ago at 96, was an amateur musician; as a young man he had played under Nikisch. Ben took early to the cello, but before that he did some composing. "I wrote a series of four or five songs when I was about nine, and my mother put them into the local arts festival in the village where we lived. And a gentleman you may have heard of, Michael Head, came down from London. He was the adjudicator.

"And he held my compositions above his head, shaking them like *this*, in front of what appeared to me to be the entire village. 'These compositions are *so* bad,' he said, 'that not only can't we consider them for the competition – that goes without saying – but *this* young man *should be discouraged* from *ever* composing again!'"

So his mother (who "didn't really know *what to do*") sent them to Benjamin Britten, who rang four days later. "No, no, take no notice of *that* – they're perfectly nice; and if you'd like to come and spend your summer holidays in Aldeburgh with me, I'll *oversee* his development and so forth." That happened for three summers. Britten sent him to be taught by Gustav Holst's daughter Imogen ("a profound influence"), who used to dance round the room with his harmony exercises. At 15 he went to study the cello in Italy and Germany, with Gaspar Cassadó.

After five years, however, he found that his fingers would not develop the callouses that a career-cellist must have. He returned to read English at London University. A Harkness fellowship took him to America, and he stayed. He found himself teaching cello and chamber music, and soon he was giving classes in "interpretation" too.

At a summer school where he was to teach, he volunteered to serve as the conductor they needed. Asked whether he had very much experience, he replied "Very!" ("I didn't mean that I'd ever stood up in front of an orchestra, of course! – just that I had a lot of experience in teaching and coaching, and the physical manifestation of music that we all use . . . ") and got the job. *Things developed*; now, besides guest appearances he conducts the Boston Youth Philharmonic, the orchestras of the New England Conservatory, where he has taught for 30 years, and his own Boston Philharmonic, *founded in 1979.*

The latter resulted from a performance of Mahler Nine he did with a Boston civic orchestra: 22 rehearsals over three months, a packed house, a triumph: "It was a *great* event in all our lives – and at the end of it the board fired me. They couldn't stand, as they said, *'Mailer'*. The chairman said, 'If anyone had known what that music sounded like, there wouldn't have been a person in that *audience!*'" But therewith the whole orchestra resigned too, and regrouped as the Boston Philharmonic: young professionals, students, community players. (They sound very good indeed on the CDs Zander *has made with them.*)

As a business guru – "They call me that, but of course it couldn't be further from the truth, because I've been a musician for 50 years!" – Zander is an apostle of "empowerment" and consultation. *The usual conductor-orchestra relation* is "the last bastion of totalitarianism". Of a Philharmonia cellist in rehearsal, he remarks that "her body-language told me she wasn't fully empowered"; he inquired why, and the upshot was a slightly slower tempo in certain passages which let the cellos dig deeper with their bows, to great effect.

He has a creditable repertoire now, though Mahler remains a speciality. He has a penchant for famous works in which he thinks he has good reason for playing something differently: Beethoven's Ninth, Stravinsky's *Rite*. "I'm always searching, asking myself, 'Is this really *right*, is it exactly what he had in mind?' *And I get the orchestra involved* in that discourse . . ." With the Philharmonia he placed a sheet of paper on every musician's *stand, and invited* written comments and suggestions.

Will all this recent acclaim lead now to regular strings of concert-dates, like a full-time conductor? Probably not; combining teaching, conducting and preaching "empowerment" *to corporate* executives suits him nicely. "I'm feeling very happy about this unusual 'career': it's not like anybody else's, but it gives me enormous satisfaction and pleasure." Us too.

Zander talks about Mahler's Second Symphony in the Royal Festival *Hall* at 6pm on March 11, and conducts the Philharmonia in it at 7.30pm.

Ballet/Clement Crisp

Passionate ensembles

It is as if the Royal Ballet has just woken from a winter sleep, filled with dreams of trudging through yet another *Cinderella* or *Sleeping Beauty*. Refreshed, and casting off these nightmares, the company took to the Opera House stage on Thursday night with a triple bill in which its best qualities are buoyantly on view. Two of the works are from its own choreographers – David Bintley's *Consort Lessons* and Kenneth MacMillan's *Judas Tree* – both significant examples of Royal Ballet creativity. The third is the *welcome acquisition of one of the* liveliest examples of American ballet in recent years, Twyla Tharp's *Push Comes to Shove*. As a triple bill, the programme-building is exemplary. No less so the dance performances. It is, in *sum*, an *evening to rejoice the* heart of anyone who has lately seen too many lacklustre interpretations on this stage.

If the evening has a connecting thread, it is the precision – in drama as in dance – of the Royal style at its best. That fine dancer Michael Nunn appears in all three works, as classic soloist in the Bintley and Tharp pieces, and as a *dramatic presence in Judas Tree*. In all three roles, we admire a manner that cuts right to the heart of the choreography.

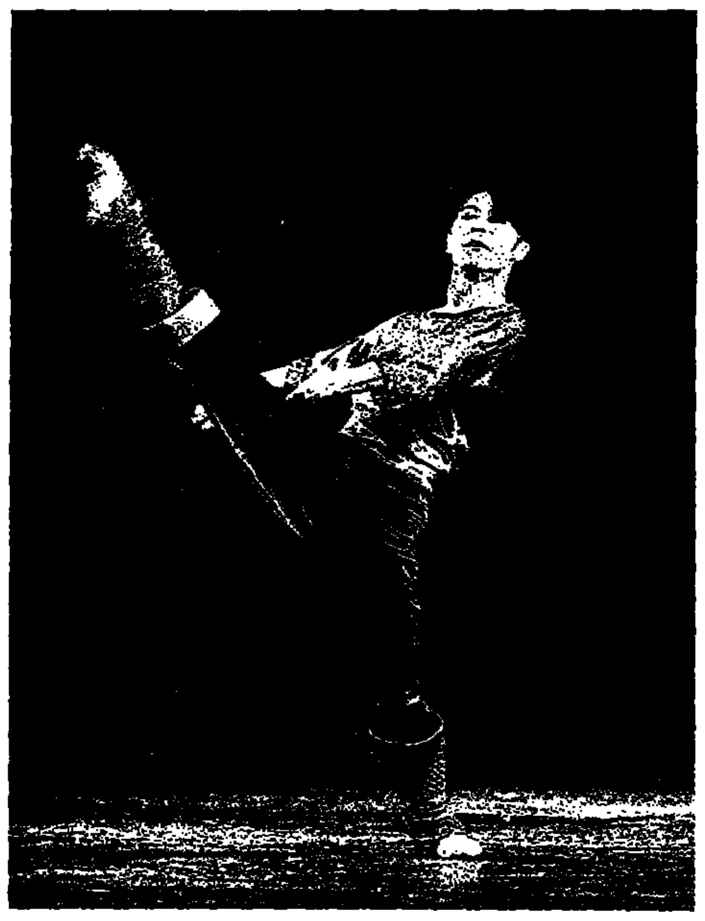
Consort Lessons shows Bintley at his most musically responsive. His score is Stravinsky's concerto for piano and wind, and its momentum, its wonderful rhythmic pulse, find happy realisation in Bintley's dances, where classicism is extended, cleverly reshaped, then reminded of its basic laws. The choreography is concerned with balance of effects, with what seem equations of forces and activity. At the heart of the piece the concerto's slow movement becomes an extended study for Sarah Wildor and four cavaliers – it is Bintley's *Rose Adagio* – where the dance's architecture and dynamics produce grand arcs and lines of movement which curve and lower over the stage. It is beautiful and beautifully sustained. In *Consort Lessons*, with Terry Bartlett fine architectural setting, the *dancing* – and the Royal Ballet's dancers – boast classic authority and a kind of easy grace that has ever been a constant of the company's best achievements.

The Judas Tree was Kenneth MacMillan's last ballet for his company. In it he dared – as he always dared, but here more than in almost any other of his creations – to push dance to its expressive theatrical extreme. And in it he showed, more daringly than ever before, how to clothe extremes of violence and anguish in dance. Gang rape, sexual provocation, are nothing in the dance theatre unless they are valid as dance. Alone among choreographers of our time, MacMillan found new ways of capturing the torments of the psyche in movement.

The Judas Tree is so inventive, so imaginatively rich in its vocabulary, that the action can seem as if MacMillan set himself ever-fresh challenges and found ever-fresh answers to them. The Woman "walking" over the head and shoulders of the Foreman: the younger man (Michael Nunn's role) stretching his arms with quivering hands in his big solo; the Foreman obsessively drawing round the Woman's body ("I must kill her; she must remain dead to me"), his "fingering" of the younger man, his *back-arching circuit of the stage*; these are images burnt into the dance and into our perceptions. Performances – Mukhamedov as the Foreman; Leanne Benjamin as the Woman; Michael Nunn as the Friend; the entire ensemble – were passionately good.

Twyla Tharp's *Push Comes to Shove* was made in 1976 for Baryshnikov and American Ballet Theatre. It baptised and confirmed the American Baryshnikov – young classic genius in bowler hat knocks spots off modern ballet without losing his cool – but also made clear to a new audience Tharp's fizzing acumen in controlling effects, in walking in and out of classic ballet with the most insouciant air and a death-defying control of effects. (She is a bit like MacMillan in her need to dance on any tightrope that happens to be to hand). A Joseph Lamb rag yields to Haydn's "Bear" symphony. A male virtuoso and two bewitching girls are saucy, then joyously involved in the dance.

Push has been a treasure since its first performance, and it remains so in this lively and alert Royal Ballet staging. To Tetsuya Kumakawa falls the Baryshnikov role, which he dances with astounding brilliance – he pirouettes like a top; bounces, shrugs, *times everything to perfection* and never loses his roots in the music – and his female accomplices are Darcey Bussell (super-chic in step and looking like the sunniest of flappers), Sarah Wildor (deliciously cool) and Deborah Bull (the dance quick, bright). The corps de ballet have huge fun, move like angels (angels with a naughty sense of humour – and why not?), and Papa Haydn urges them on. It is irresistible, and irresistibly good.



Alastair Muir

Tetsuya Kumakawa takes the Baryshnikov role in Twyla Tharp's 'Push Comes to Shove'

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Peter Frankl, György Pauk and Ralph Kirshbaum: the pianist, violinist and cellist perform works by Beethoven, Brahms and Schubert; 8.15pm; Feb 19

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Duits Steengoed: *exhibition presenting a selection of 16th and 17th century German earthenware* from the museum's collection. The majority of the objects on display were produced *in the Aachen-Cologne* area; to Mar 9

■ ANTWERP

DANCE
deSingel Tel: 32-3-2483800
● Emio Greco, Tamara Beudeker and Valerie Valentine: perform "The Sound of One Hand Clapping", "Da un'altra faccia del tempo" and "Quando la terra si remette in movimento" to music by Kanpik, choreographed by Jan Fabre; 8pm; Feb 19, 20

■ BARCELONA

EXHIBITION
Museu Picasso Tel: 34-3-3196310
● Picasso and the Theatre: Parade, Pulcinella, Cuadro Flamenco, Mercure: exhibition of 200 pieces, including paintings, drawings, documents, costumes and other objects, examining Picasso's relationship with the scenic arts; to Feb 23

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Deutsches Symphonie-Orchester Berlin: with conductor Matthias Foremny, clarinettist *Chen Halevi and the Trio* Bartholdy perform works by Dvorák, Beethoven, Françaix and Debussy; 8pm; Feb 19

■ DUSSELDORF

EXHIBITION
Kunstsammlung Nordrhein-Westfalen Tel: 49-211-83810
● René Magritte: overview of Magritte's work featuring over 100 paintings and *sculptures and concentrating on contrasting* methods of work used by the artist throughout his career; to Mar 31

■ EDINBURGH

EXHIBITION
Scottish National Portrait Gallery Tel: 44-131-5568921
● Portrait Miniatures from the *Collection of the Duke of* Buccleuch: exhibition displaying 75 portrait miniatures from the Buccleuch Collection. The miniatures, which date from 1480 to 1832, include royal portraits of the Tudor and Stewart dynasties by artists such as Hans Holbein the Younger, Nicholas Hilliard, Isaac Oliver, John Hoskins and Samuel Cooper; to Feb 23

■ HAMBURG

EXHIBITION
Hamburger Kunsthalle Tel: 49-40-24862612
● Italienische Zeichnungen der Renaissance: display of drawings from the museum's own collection covering the Renaissance period *from its* formative years (Mantegna and Botticelli) through to the later works of Leonardo, Raphael and *del Sarto; to Mar 23*

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: conducted by Michael Tilson Thomas with *baritone Peter Mattei and clarinet player Andrew* Marriner perform works by Debussy; 7.30pm; Feb 20
Royal Festival Hall Tel: 44-171-9604242
● National Symphony Orchestra of Ireland: with conductor Kasper de Roo and pianist Barry Douglas perform works by Barry, Beethoven, Ravel and Stravinsky; 7.30pm; Feb 18
St John's, Smith Square Tel: 44-171-2221061
● Doris Soffel: performance by the soprano, accompanied by *pianist Charles Spencer. The* programme includes works by Mahler and Brahms; 7.30pm; Feb 18

DANCE
Sadler's Wells at the Peacock Theatre Tel: 44-171-7136000
● Paco Peña Flamenco Dance Company: choreographed by *Paco Peña perform* "Art y Pasión", to live music; 8pm; Feb 18

■ MANCHESTER

CONCERT
The Bridgewater Hall Tel: 44-161-9500000
● Russian National Orchestra: with conductor Mikhail Pletnev and pianist *Nikolai Lugansky perform* works by Beethoven and Tchaikovsky; 7.30pm; Feb 18

■ NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● *The Architecture of Alvar Aalto:* the first large-scale retrospective in the US of the influential architect's work, including some 120 drawings, 20 *models*, 50 photographs and several large-screen videos; to May 5
Whitney Museum of American Art Tel: 1-212-570-3600
● *Making Mischief:* Dada Invades New York: exhibition examining one of the 20th century's most *radical and influential* art movements, featuring the work of Marcel Duchamp, Francis Picabia, and Man Ray - artists historically associated *with New York Dada* - along with the work of American and European artists affiliated with the movement; to Feb 23

JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Max Roach Double Quartet: performance by the jazz drummer with a double quartet also *featuring* Cecil Bridgewater, Odean Pope, Tyrone Brown, Maxine Roach, Diane Monroe, Lesa Terry and Eileen Folson; 9pm; Feb 18, 19, 20, 21, 22, 23

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● La Forza del Destino: by Verdi. Conducted by James Levine, *performed by the Metropolitan* Opera. Soloists include Denyce Graves and Kristján Jóhannsson; 8pm; Feb 19

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● L'Enfance du Christ: by Berlioz. Conducted by Philippe Herreweghe, performed by the Orchestre des Champs-Elysées, *with the Collegium Vocale of* Ghent and the Choeur de la Chapelle Royale. Soloists include soprano Véronique Gens, baritone *Olivier Lalloute, tenor Ian* Bostridge, bass-baritone Laurent Naouri and bass Frédéric Caton; 8.30pm; Feb 19

EXHIBITION
Musée du Petit Palais Tel: 33-1 42 65 12 73
● Cité Interdite: *exhibition with* over 150 objects focusing on different aspects of the imperial *family life during the Qing era* (1644-1911). On view are photographs, garments, furniture, and jewellery; to Feb 23

■ SAN FRANCISCO

OPERA
Bill Graham Civic Auditorium Tel: 1-415-861-4008
● Aida: by Verdi. Conducted by Donald Runnicles, performed by the San Francisco Opera. Soloists include Michele Crider, Nina Terentieva and Fabio Armiliato; 8pm; Feb 18

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Lohengrin: by Wagner. Conducted by Simone Young performed by the Wiener Staatsoper. Soloists include Cheryl Studer, Waltraud Meier and Alfred Muff; 6pm; Feb 20

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(Central European Time)

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FT Business Morning

10.00
European Money Wheel
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17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Pay the price to escape the mess

Gerard Baker looks at the options open to Miami, a city in deep financial trouble

Mr Edward Marquez, the newly appointed manager of the city of Miami, looks as though he has hardly slept in three months. Life for the 40-year-old former accountant has become a blur of unbroken 16-hour days, coffee and crisis meetings as he struggles to save the famous southern Florida municipality from insolvency.

Mr Marquez and his team took over at City Hall in November after the discovery of a $68m (£42m) hole in Miami's finances. A previous city manager and other employees were charged with fraud last summer.

Credit-rating agencies downgraded Miami's debt to junk-bond status and an emergency supervisory board was appointed by Florida's governor to ensure the restoration of financial order.

"We are in the process of reinventing the city of Miami," says Mr Marquez with a weary smile.

The extraordinary story of the collapse of Miami's public finances is in part a tale of quite exceptional managerial incompetence and fraud. But it is also part of the more familiar story of the continuing deterioration of America's cities and their failure to deal with the consequences.

In the popular imagination, Miami is a glamorous city of beaches, retirement homes and marinas. In fact, these are virtually all outside the city limits; Miami itself is the fourth poorest city in the US, a home mostly for immigrants from Latin America, with high social needs and small means to pay for them.

The task of putting the city's fiscal house in order has fallen to Mr Marquez. Under the scrutiny of the state's emergency supervisory board, he is pursuing a twin-track rescue strategy.

First, Miami must plug the immediate gap in its finances in the current fiscal year ending in September. Second, and more important, it must come up with a plan to ensure long-term fiscal stability. Simultaneously, it must reassure a jittery investing community that it remains a viable long-term home for their money and their business.

For the current year, the supervisory board has agreed an emergency budget that should cover the fiscal gap. Because of the urgent need for stability, the city will be allowed to use one-off gains – such as those from the sale of its properties – to close the $68m deficit.

But the really hard part has only just begun. "It is not just a short-term crisis," says Mr Marquez. "The city has been living beyond its means to the tune of about $40m [a year] for several years."

Mr Marquez has until April 15 to come up with a five-year budget that will ensure solvency in the medium term. Unlike the emergency, one-year package, that plan must cover all operating expenses out of recurring operating revenue.

Of total annual spending of $275m, almost one-third is interest on the city's debt, which cannot be cut. That leaves a recurring revenue gap of $40m in a total discretionary budget of just $190m. In short, Miami must either raise revenue or cut its spending by more than one-fifth.

"It will be very hard to construct a workable five-year plan," says Ms Maria Camila Leiva, a member of the emergency supervisory board. "But for everybody's sake, I hope they will take the bitter medicine that will be needed."

Scope for raising taxes is limited. Miami has no income or sales tax, while property taxes are already levied at close to the highest legal rate.

Instead, the city is hoping to raise charges for municipal services. Almost 40 per cent of all Miami's property is owned by state and local government agencies and non-profit bodies that do not pay local taxes covering fire and police services, or even refuse collection. The city is hoping to change that – a move that would raise $20m.

That would still leave Miami needing to make big spending cuts. Under pressure from Mr Joe Carollo, the Miami mayor seeking re-election this year, Mr Marquez hopes to keep basic services intact. But the benefits to which many city employees have grown accustomed – from mobile phones to generous pension entitlements – will be cut. Still more savings may be needed.

Businesses are eyeing developments nervously. Companies in the smart downtown business district, which pay almost a third of all local taxes, are wary of the consequences of the damage to Miami's reputation.

Mr Frank Nero, president of the Beacon Council, a Miami development agency, went to New York this month in an effort to calm investors. He stressed that municipal Miami is only a small part of the Greater Miami area, with few municipal district responsibilities. Dade county, which encompasses the broader Miami area, has a much larger budget and a wider role in local government. The security of its finances are not in doubt.

"But to the rest of America and to the world," Mr Nero acknowledges, "Miami is the signature city. A problem here gets the attention of investors everywhere."

The roots of Miami's financial crisis lie in mismanagement and corruption on a grand scale. Almost daily, Mr Marquez discovers new horror stories. For instance, no one can identify where much of the property being let by the city is actually located. Its employment policies have been so lax that nearly one in three of its 3,000 employees has a compensation claim pending against the city.

To help with revenue collection, Mr Marquez has organised "sweep teams" to round up licence fees paid by professionals such as lawyers and doctors, and refuse collection charges that have not been paid in years.

The picture of municipal mismanagement obscures a much deeper malaise in the US's urban communities. Miami is the latest in a long line of cities – from New York in the 1970s to Philadelphia a few years ago – to be brought to the brink of financial collapse.

Part of the problem has been a middle-class flight to the suburbs, which destroys a city's tax base. Strenuous efforts to keep its more affluent communities have led Miami to maintain, and even improve, the standard of services. Yet the city lacked the political will to raise taxes accordingly.

"For years political decisions that have been made in Miami have been very far removed from economic reality," says Ms Camila Leiva.

This deeper, structural problem has caused some citizens to give up on Miami completely. An energetic political campaign is under way to dissolve the city into the surrounding Dade county. Miami's citizens will vote in a plebiscite on the proposal later this year.

But Miami's new bosses are confident the city will recover. Some even believe that from the crisis will emerge a slimmed-down, more efficient city government, better equipped to tackle the long-term difficulties associated with urban decline.

But the process of adjustment is just beginning. "It's taken us a number of years to get into this mess," says Mr Marquez. "And it will take us a number of years to get out of it."

Rex Features/AP

Miami mission: Edward Marquez (right) speaks to the emergency supervisory board

Technology • Christopher Parkes

One for the road

Small, economical electric cars are the way to deal with today's gridlocked streets

The roll-out of half a dozen electric cars by leading world manufacturers, which started in California and Arizona in December with General Motors's Saturn EV-1, seems to bode ill for many US pioneers.

How can dozens of visionaries and backyard tinkerers – the small, often under-capitalised developers who have laboured for years in hope – expect to stand up to the mass-marketing clout and technology resources of GM, Toyota, Ford, Honda and the rest?

Some already accept the inevitable. Mr Robert Aronson, chairman of Electric Auto Corporation of Florida, has been building electric vehicles for power utilities for 30 years. But his new Silver Volt passenger saloon, due on the market next year, could well be his last. "We expect to remain in the passenger car market for five years and after that we expect to assume a role as a supplier of technologies and batteries," he says.

But taking a back seat is not on the agenda for Mr Mike Corbin, a Castroville, California speedster and businessman who intends to move into a market niche on the tail of the high-fliers.

Mr Corbin and his son Tom know a thing or two about both electric vehicles and niche marketing. Their company, which bears the family name, claims to be the world's leading maker of aftermarket motorcycle seats, fairings and other accessories, with annual revenues of $12m.

Father Mike, who in 1974 set a 20-year record of 171.102mph in an electric vehicle on the Bonneville Salt Flats, has invented a novel single-seater commuter car, the Sparrow.

Boot-shaped, three-wheeled and mildly reminiscent of the wedgy Reliant Robin and the comical C5 launched on a much-amused British public in 1985 by the inventor Sir Clive Sinclair, the Sparrow "is not trying to replace the family car", says son Tom.

Measuring 8ft by 4ft, it is powered by a 15hp motor and eight 1kWh lead/acid batteries, and driven by the single rear-wheel. The so-called Personal Transit Module boasts a range of 60 miles at 60mph. The passenger space has room for a laptop and a briefcase, with storage for four bags of groceries under a rear hatch.

According to Mr Corbin junior the Sparrow's range, and its ability to make a full turn in a single traffic lane, park in a motorcycle space and take a full charge from a conventional 110V power socket in six hours, make it the ideal "module" for US commuting. Almost 90 per cent of US commuters travel less than 18 miles to work, he says.

Stability is not a problem, he says, because the 540lb of batteries in the base of the vehicle make up more than half its unladen weight. Nor is driver visibility a problem, because the Sparrow is 4in taller than a Saturn coupé.

The company, which has spent $750,000 on development and promotion, claims to have garnered more than 150 reservations – secured with $1,000 refundable deposits – after only three outings at regional motor shows. With a new factory nearing completion, production is due to start in June, with 1997 output planned between 200 and 400 vehicles.

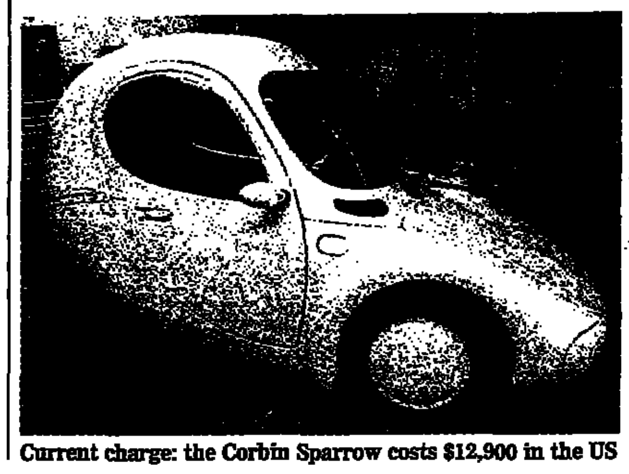
"Our biggest problem will be to make enough," claims Mr Corbin junior. Although the company's motorcycle parts distributors in Germany, France and Belgium have shown interest, "we are discouraging foreign orders at least until mid-1998."

With the Sparrow, the entry price into the electric car age is a relatively attractive $12,900, compared with $35,000 for the Saturn EV-1 two-seater. But the price seems not to be paramount. Among those placing early orders, pizza delivery and inner-city courier companies appear to have have been drawn by commercial factors, possibly including the Sparrow's novelty and attention-getting looks. But many of the prospective consumer orders appear to come precisely from the niches Mr Corbin was aiming for.

"We have found a lot of doctors on the list. They tend to live near inner-city hospitals where there is hardly ever any parking space," says Mr Corbin junior. There has been an especially strong showing from innovation-friendly "computer people" in nearby Silicon Valley.

Most important, he says, is that workers in the fast growing high technology industries accept new ideas readily as part of daily life.

But thanks to the technology boom, the universally familiar phenomenon of gridlocked, fume-laden traffic is threatening to overwhelm the region's roads, and it, too, may deserve some of the credit if the Sparrow manages to fly.



Current charge: the Corbin Sparrow costs $12,900 in the US

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

TV has no right to restrictive coverage of big sporting events

From Mr Peter Daley.

Sir, The Lex column, commenting on the row over the television broadcasting of the England versus Italy World Cup qualifier ("Football", February 12), concludes that European Union citizens are no more entitled to watch big sporting events for free than they are to watch Pavarotti or Madonna for free.

Perhaps so. However, broadcasting companies are (or should be) no more entitled to enter restrictive trading agreements with the administrators of "big sporting events" at the expense of consumers, than are other commercial organisations entitled to do so with their suppliers.

This is why trading authorities such as the Office of Fair Trading in the UK and the competition directorate of the European Commission are right to be taking an interest.

"Big sporting events", as generally understood, are distinguished from the performances of individual artists by being events of wide interest. The value of these events has built up over many years from the efforts of many people, the majority of whom are probably either no longer involved or even alive. Such events have become part of our heritage.

For the present crop of administrative and performing incumbents, together with the non-terrestrial broadcasters, to claim this value for themselves by using exclusive television coverage to demand a higher fee from viewers than would be achievable in open competition is both monopolistic and immoral.

Peter Daley,
36 Broad St.,
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Warwickshire,
CV37 6HN

Mercosul at centre of Brazilian policy

From Mr Rubens Antonio Barbosa.

Sir, Your survey on Mercosul (February 4) was a most informative review. Jonathan Wheatley's article "Brasília rocks the boat" is, however, a biased and hasty analysis of a very complex and sensitive question for all countries: the motor car industry. It conveys the idea that whenever Brazilian national interest is present Mercosul comes second. The best answer to correct this perception can be found in the trade results of our neighbours and trading partners: in the case of Argentina, its exports to Brasil climbed from US$1.6bn in 1991 to US$6.7bn in 1996.

Mercosul and all it stands for has top priority in Brazilian foreign and economic policies and this was made amply clear when President Fernando Henrique Cardoso addressed the "Link with Latin America" conference in London last week.

Rubens Antonio Barbosa,
Brazilian ambassador,
Brazilian Embassy,
32 Green Street,
London W1Y 4AT

Guinness yet to put stamp on Spain

From Mr Alan Murdoch.

Sir, While some may consider Guinness's brewing investment in Spain as disastrously ill-advised, others may claim that it was bold thinking at the time and now, six years later, only hindsight affords us the luxury to claim that it was disastrous.

International brewers – American, Danish, Japanese, Belgian, British and Australian among them – were anxious to secure a foothold in one of the fastest growing beer markets in the world. Cruzcampo presented that opportunity only because a minority shareholder in foreign hands was forced to divest, much to the dismay of its Spanish shareholders.

Most managers accept that cost cutting and efficiencies are the stuff of everyday business. However "a collection of local producers" in fact were four strategically placed brewing companies with secure regional markets across Spain and formed part of Cruzcampo's strategy to increase its national market share above the 22 per cent at the time Guinness acquired the company.

Before the buy-out in 1990 Cruzcampo's volume and profitability were unequalled. Accepting that the Spanish economic situation and changing tastes have accelerated the downturn, Guinness has yet to repeat that performance.

The question to be asked is – how far does the imprimatur of a leading international brand ensure better performance from a reputable and tightly held family company with an established record of growth and profitability. To "reinvent the company" might now be the answer. Others could equally have subscribed to the philosophy "If it ain't broke don't fix it".

It seems that consolidation of the Spanish brewing industry is still a long way off – only the "fiefdoms" are now foreign instead of Spanish.

Alan Murdoch,
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03739 Javea,
(Alicante),
Spain

Base rate row benefits the Tories

From Mr John Fontannaz.

Sir, Not for the first time do I totally disagree with Lex, particularly with regard to the piece "UK inflation" (February 13) where it states that the row between Mr Eddie George, the governor of the Bank of England, and the chancellor is beneficial only to the Labour party.

Every time Eddie George opens his mouth about raising interest rates tens of thousands of people will vote for the Conservatives.

Neither industry nor mortgage payers want to pay more in interest – bankers and mortgage companies are the only beneficiaries. Exporters are already having to adjust to the increased value of sterling, so they will not be happy.

The chancellor is a very good poker player and long may he continue to call the shots.

John Fontannaz,
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Thamesfield Gardens,
Mill Road,
Marlow,
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Unready to take advice

From Mr David Damant.

Sir, It is indeed true, as Mr Malcolm Spence indicates (Letters, February 11), that at the dawn of this millennium the king of England was Ethelred; but Ethelred II was not unready: he was un-rede-y, in that he attempted to act without the advice of his rede or council.

Possibly Sir James Goldsmith may argue that the parallel is with a prime minister who will attempt to take us into Europe without a referendum.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday February 17 1997

Milestone for telecoms

The weekend agreement to liberalise trade in basic telecommunications services is an important milestone for the industry, and the most impressive achievement by the World Trade Organisation since it was established two years ago. The deal is good for the world economy, for telecoms suppliers and their customers, and for the multilateral trade system.

The market-opening pledges by the almost 70 participants, which account for the bulk of global telecoms traffic, will strengthen the competitive forces already at work in the industry. That will stimulate faster tariff cuts, greater efficiency and innovation, benefiting residential subscribers and all organisations which depend on modern information systems.

The force of the WTO agreement lies in the fact that it consists of binding contractual commitments. It will ensure that the world's two largest markets, the US and the European Union, are opened and kept open to all comers. It will also advance and underpin reforms elsewhere. These guarantees, along with the explicit commitments made by governments to apply pro-competitive rules in their telecoms markets, will provide a clearer and more stable framework for the industry's development.

The agreement may not meet all the goals set by the US, which balked at an accord last April, saying it was inadequate. But US acceptance of the latest package acknowledges the substantial improvements achieved since then – and that WTO negotiations have done far more to open other countries' markets than the US could hope to achieve alone. This is a welcome sign that Washington recognises the limitations of aggressive unilateralism in trade. It is also a timely lesson to those in the new Congress who question the value of multilateral principles.

The agreement is also the first big success for the WTO's attempts to liberalise trade in services and to negotiate agreements covering one sector at a time. Last April's hiatus in the telecoms talks, and disappointments over financial services and shipping, had raised concerns about whether these untried approaches could work. The telecoms deal, and the broad international participation which made it possible, have allayed those doubts.

The WTO's next test is to reach agreements this year to free trade in financial services and remove tariffs on information technology products. Like telecoms, these are growth sectors which have a far-reaching impact on national economies and are in the grip of rapid structural change. That should encourage a broad spectrum of countries to conclude that it is in their interest to seize the opportunity to promote global liberalisation. This weekend's breakthrough gives them a powerful extra incentive to try.

Israel and Syria

Last week's talks in Washington between President Bill Clinton of the US and Mr Benjamin Netanyahu, the Israeli prime minister, appear to have done little to restart peace talks between Israel and Syria.

These negotiations were broken off a year ago by the previous Labour-led administration after four suicide bombings in Israel by Palestinian Islamists. In the wake of those attacks Mr Netanyahu came to power saying he would keep the Golan Heights, captured from Syria in the 1967 Arab-Israeli war, to ensure the security of northern Israel. Syria's price for peace is the return of the entire Golan plateau. The two countries were close to agreement before Mr Netanyahu's election victory and – although nothing was signed – President Hafez al-Assad of Syria insists negotiations should take up where the old ones left off. Mr Netanyahu is instead offering talks "without preconditions".

While this looks like a flexible position, to Arabs it substitutes a blank sheet for the land-for-peace equation underpinning the Middle East peace process. Strenuous US diplomacy has so far failed to find another bridging formula to get Syria and Israel back to the table.

Meanwhile, a new cycle of escalation has started in southern Lebanon, where Israeli forces occupy a self-proclaimed "security zone", resisted with increasing effect by Hizbollah, the Shi'ite militia encouraged by Damascus to remind Israel of Syria's claim to the Golan. The last comparable flare-up led to Israel's 17-day bombardment of Lebanon last April. But this time the tension between Israel and Syria could lead to direct clashes involving the 40,000 Syrian troops in Lebanon who control Hizbollah's supply lines.

In Israel, however, debate on a unilateral withdrawal from Lebanon has grown, triggered by the helicopter disaster two weeks ago which killed 73 Israeli soldiers on their way to the "security zone". Such a withdrawal, called for by UN Security Council Resolution 425 after Israel's first invasion of Lebanon in 1978, would not be welcome in Damascus if it meant standing down Hizbollah. It would put Syria and Lebanon under international pressure to rein in the guerrillas and police the frontier. But it would be difficult for Syria to oppose Israeli compliance with a unanimous demand of the Arabs as well as the UN.

Israel's involvement in Lebanon and the "security zone" has failed to deliver security. Withdrawal may be a risk worth taking. In the longer term, though, Israel's borders will remain insecure unless Mr Netanyahu is willing to negotiate the Golan with Syria.

BSE mistakes

In its handling of bovine spongiform encephalopathy, the government has staggered from one policy to another. The House of Commons debates BSE today, in the quaint form of a motion to cut the salary of Mr Douglas Hogg, the agriculture secretary. The vote will be close. But pre-electoral excitement over the outcome should not distract from the real issue: the flawed response to BSE of a succession of agriculture secretaries, not just Mr Hogg. Nor should it divert attention from the implications for food safety policy.

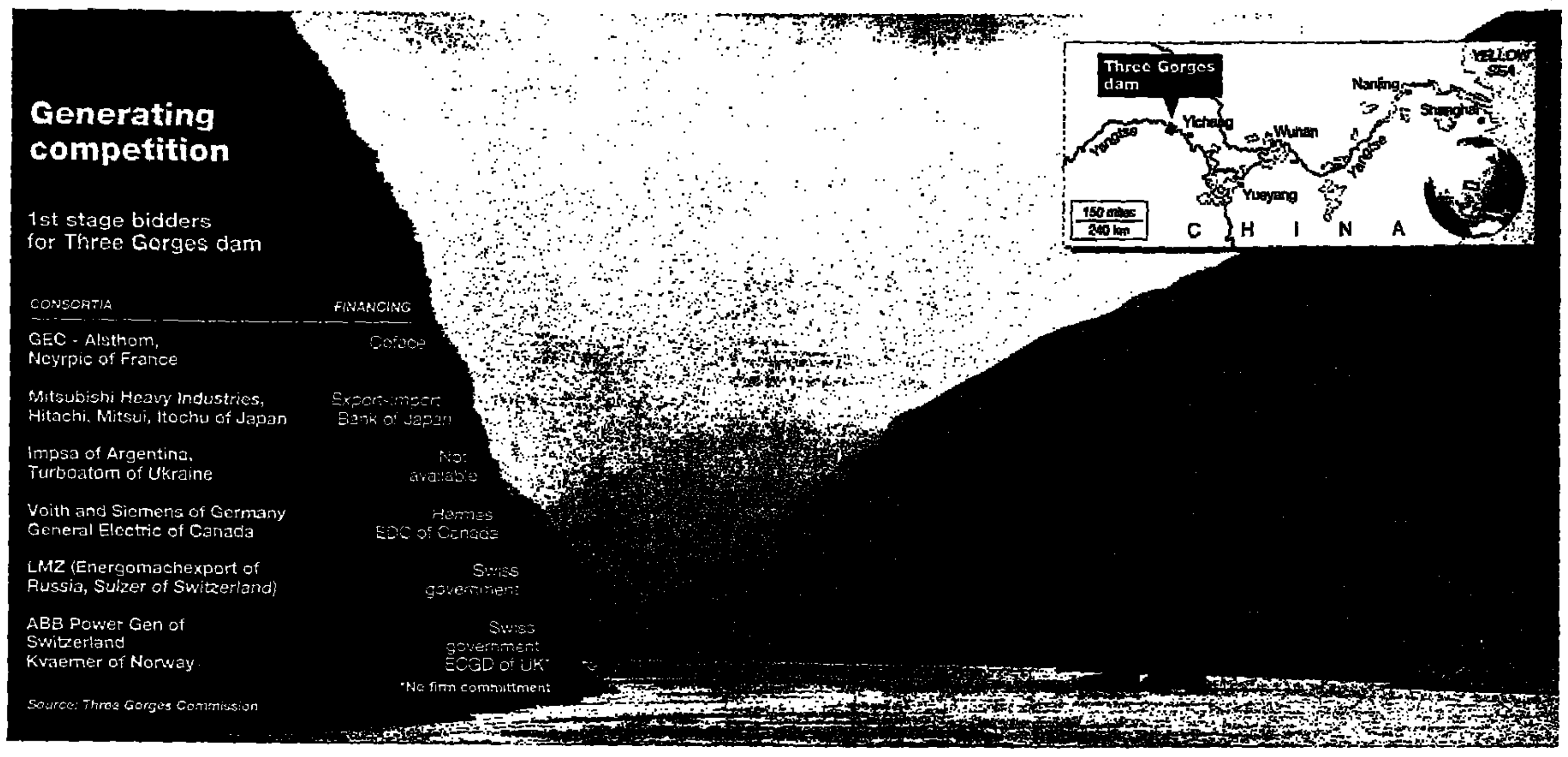
Since the first sign of the disease in 1985, 150,000 cattle have been infected and over 1m have been culled. A dozen people have died from a new variant of Creutzfeldt-Jakob disease (CJD) caught, scientists believe, from infected beef. Farmers have been badly hit by the cull, the worldwide export ban and the fall in domestic sales. The cost to the exchequer has reached £3.3bn.

Despite evidence to the contrary, the government stuck to one story until last year: that BSE came from cows eating scrapie-infected sheep. BSE could not be caught by humans, it was then argued, because 200 years of endemic scrapie had no effect. Just in case, cows would no longer be fed animal meal (it would go to chickens and pigs instead) and potentially infectious bits of cattle were to be removed at the slaughterhouse (instead of making burgers). But these measures were initially enforced half-heartedly. The government continued saying that beef was safe for 11 years.

Throughout the period, evidence emerged to dispute the government's thesis on the origins of BSE. Cows infected with scrapie contracted just that – a disease distinct from BSE. Zoo animals and pets were found with BSE-like illnesses. Coming full circle, sheep are now thought to have caught BSE from cows.

There are two lessons to be learned. First, the fact that modern farming had turned ruminants into cannibals was not something to be brushed aside. Greater openness about food production might tame some of the excesses of intensive agriculture.

Second, ministerial spin should not be applied to scanty scientific evidence. Public health issues deserve better than being embroiled in Europhobic flag-waving or accusations of political scaremongering. Food safety should preferably be handled by an independent agency with adequate research funds, not by a ministry which too often appears to put producer interest before consumers.



Power hungry on the Gorges

The world's largest hydro-electric project has brought many suitors to China but, says **Tony Walker**, the plan is controversial

It is by far the world's biggest hydro-electric power project, probably the most challenging technically and certainly one of the most controversial politically.

Companies seeking a share of China's giant Three Gorges dam on the Yangtse river expect competition to be cut-throat and the selection process to be unusually difficult.

When bids closed on December 18 for the first 14 of 26 700MW power units, including turbines and generators, six consortia had joined the race for what has become the most sought-after prize for companies involved in the manufacture of heavy duty power generation equipment.

Now, while they wait nervously for China's decision, they must fend off criticism from environmentalists and human rights groups concerned at the impact of a project which will create a reservoir 600km long, inundate historic sites and displace more than 1m people. Opponents of the project have vowed to seek to starve it of international funds. Unusually for such a large venture, the World Bank is not involved. Fearing rejection on environmental and human rights grounds, China has not asked for assistance.

For China, the giant $30bn (£18.5bn) Three Gorges dam is a symbol of its modernisation drive. It will provide an enormous boost to its power generating capacity – on completion in 2009, it will produce 84.7bn kWh of electricity, one-ninth of the 1993 national total. It will also improve navigation on the turbulent Yangtse river, allowing 10,000-tonne vessels to reach the inland city of Chongqing.

Bidders regard winning a share in the 18,200MW project as being of vital strategic significance. Mr Paul Chan, senior vice-president of ABB China, says success "would provide a worldwide entry ticket for the next two decades to large-scale hydropower projects".

Mr Zhang Denan, vice-minister of the Three Gorges Project Construction Committee, says he expects to have awarded contracts by the end of the year at the "latest". But the power companies believe the process could take longer. They expect the final stages of negotiations to be especially complex – not only because of technical and financial issues, but because political factors are likely to weigh heavily.

"The whole evaluation process is being conducted in a dark box," says the representative of a leading European engineering company. "The final decision will be subject to a lot of manoeuvring. Ultimately the Chinese will be seeking to ensure that commercial decisions follow general foreign policy guidelines."

He cites as an example China's $1.5bn purchase last year of 30 Airbus A-320s ahead of Boeing. The choice of the European consortium coincided with a downturn in Sino-US relations caused by the fracas over Taiwan and the visit to France by Mr Li Peng, the Chinese premier.

On environmental grounds, critics say a series of smaller dams would give better value and cause less ecological damage. They argue that an even better return would come from spending the money on making China's existing generator capacity more efficient.

And human rights campaigners have applauded the decision by the US Export-Import Bank, the government's export credit agency, to withhold support. The bank came under intense pressure from human rights campaigners and environmentalists. Human Rights Watch/Asia, the international civil liberties organisation, has reported widespread dissent among Chinese in the Three Gorges region and says 42 people were sentenced recently to 20 years in prison to "safeguard the public order of the Three Gorges area".

Export credit agency funding will be critical to the bidders' success. The Export-Import Bank of Japan, with private Japanese financial institutions, is providing buyers' credits of up to Y60bn (£300m); other international credit agencies such as Coface of France, Hermes of Germany, EDC of Canada and the Swiss government have indicated support. Backing will be "substantial" for such a project, according to embassy representatives.

The UK Export Credits Guarantee Department says it is considering support after being approached by a UK equipment supplier in the ABB-Kvaerner consortium – Kvaerner owns the former Trafalgar House conglomerate. However, the ECGD has not made any firm commitment to the project.

Mr Patrick McCully, campaign director for International Rivers Network, a Californian environmental group, says he is "disappointed, not surprised" that other countries' export credit agencies are rushing to finance Three Gorges because "there is so much money at stake". He had hoped they would follow the US lead.

But US power companies, including General Electric and suppliers of heavy earth-moving equipment such as Caterpillar, are pushing hard to persuade the administration to reconsider. They argue that the Export-Import Bank went beyond its mandate in denying the funding.

Mr McCully says it would be politically difficult for the bank to reverse its position, however, because the project and the finance refusal have become so high profile. And if it does change its mind, a coalition of environmental groups is threatening to take it to court under the US law protecting endangered species. At risk, says Mr McCully, are sturgeon, alligators and the Yangtse dolphin, of which only about 100 remain.

For its part, China is confident on funding. According to Mr Zhang of the construction committee, China expects half the funds for the first stage, or about Yn70bn, to come from the state; about a quarter in loans from the State Development Bank, which supports big infrastructure projects; and the rest from foreign sources.

Foreign funding of about $4bn would involve both export credits and the sale of bonds. China has not decided when to issue bonds internationally, but a Y1bn domestic issue is expected this month, Mr Zhang says. The issuer will be the China Yangtse Three Gorges Development Company, the project's commercial arm, whose borrowings would be regarded as sovereign risk since the project comes directly under the State Council, or cabinet.

Mr Ted Rule, executive director of the Hong Kong-based Asian Infrastructure Fund, says the project is "too big" for most infrastructure investors. He assumes, however, that Bejing will be prepared to ensure the necessary bank guarantees are in place to raise the funding.

Adding to the complexity of the bidding process is the fact that China is demanding 25 per cent local involvement in 12 of the 14 turbine-generating units, with the remaining two to come primarily from Chinese manufacturers. The two designated suppliers are the Harbin Electric Machinery Works in Heilongjiang province, northern China, and the Dongfang Electric Machinery Works in south-western Sichuan province.

Mr Zhang says Beijing's "local content" requirement was "like killing two birds with one stone". Foreign companies would be responsible both for the overall quality of the turbine generating units and for providing domestic industry with the ability to build such large units.

Bidders have been invited to tender for three basic combinations: consortia can bid for all 14 turbine generators; they can go for nine or five; or seven apiece. But within this "multiple choice" framework, consortia can also bid for separate components such as electricity generators or the giant turbines themselves.

The bidders have no doubt the process will be arduous. "The Chinese will make every effort to bring everyone down to the lowest common denominator on price, and highest common denominator on quality," says one.

Mr Zhang says a decision has not been made on whether foreign companies will be involved in the supply of the 12 generators to be located on the south bank of the river in the second stage of the project. Bids for the second stage will be sought in 1999 or 2000. If domestic producers are competitive then all 12 would be domestically-built, he says – although he adds it is "too soon" to make a judgment.

Among the six consortia, strongest contenders appear to be the Voith-Siemens-General Electric consortium; GEC-Alsthom; the Japanese; and ABB-Kvaerner. ABB, for example, supplied generators for the giant Itaipu hydropower project in Brazil which is regarded as a benchmark by the Chinese. Voith, Siemens and GEC-Alsthom were also involved in the Itaipu scheme.

But participants say the Three Gorges dwarfs other such projects, including the Bakun scheme in Malaysia, and presents particular technical challenges, one of which will be the rise in the water level behind the dam from 78 metres when the first turbines come into operation in 2002 to 175m at completion in 2009. This will require modifications to the turbines over the life of the project.

China, meanwhile, has reportedly set up half a dozen groups which have been sequestered in isolated guest houses to evaluate the bids. A shortlist is expected by mid-year.

But whatever course the process takes it is certain to be subject to intense rumour and speculation. "We would like to see more transparency during the evaluation and negotiating process," says one of the bidders. "But we know that is probably too much to expect."

Additional reporting by Nancy Dunne in Washington

· OBSERVER ·

Soup man clams up

■ Some strange broth has been brewing in the US canned soup industry. Campbell Soup and H.J. Heinz have been slinging mulligatawny at one another over who should have the services of Daniel O'Neill. The result is that O'Neill will work for neither of them, at least for the next seven months.

He will then be allowed to work for Heinz but for nearly a year afterwards all his meetings and conversations will be recorded in a daily log and reviewed by an independent auditor, just to ensure he isn't passing on any of Campbell's trade secrets.

This can of worms burst two months ago when O'Neill, head of Campbell Soup's domestic soup businesses, said he was quitting to join Heinz as head of its Star-Kist tuna, pet food and Latin American operations.

Campbell Soup turned apoplectic – a shade closely approximated by its tomato product – saying O'Neill had signed an agreement that precluded him from working for a competitor for 18 months after he left.

In an out-of-court settlement Campbell Soup has now agreed to let O'Neill join Heinz, but not until September 15 – nine months from his departure. In the meantime, he's barred from having business contacts with Heinz employees, though he can share a bowl of chowder with them on a social basis.

On joining Heinz, O'Neill's employment will be restricted to Heinz's pet food and tuna businesses until August 1998. During this time, he will not be allowed to have business conversations with any employees outside those areas except Heinz's chief executive, Tony O'Reilly.

With this agreement, both sides claim to be out of the soup – and O'Neill is looking forward to a long, if unplanned, holiday.

Idle rubbish

■ Here's one of those stories so good, you wish it was true. Libération, the left-of-centre French tabloid, last week fuelled speculation about the timing of the loquacious Jacques Calvet's retirement as head of the Peugeot-Citroën car group by suggesting he had offered to take on even more of a challenge – as president of Crédit Lyonnais, the state-owned bank currently undergoing interesting times.

The paper pointed out, correctly, that Calvet, 65, who later this year is expected to hand over command of the car group (probably to Jean-Martin Folz), has extensive banking experience, gleaned in a lengthy spell at Banque Nationale de Paris. It added that he had recently hinted at a future career in politics in an interview.

Sadly, when questioned on the subject at a press conference with Alain Prost, the former world motor racing champion, marking the launch of a new French Formula 1 team to be equipped from 1998 with Peugeot engines, Calvet rubbished the suggestion – literally. "Let's leave that article in the waste paper basket, where it fell from my negligent hand", he said.

Bearly started

■ Victor Chernomyrdin, Russia's prime minister, can hardly have anticipated the fuss he would create when he shot a mother bear and her two cubs last month. For centuries, Russia's leaders have blasted away at unsuspecting wildlife as a pastime, though in Chernomyrdin's case the hunt first involved a small army of beaters flattening part of a forest and startling the bears from hibernation.

The Russian media was outraged, and at the Davos jolly the other week a Russian television interviewer tracked down Chernomyrdin in his lair to ask him what he thought he was playing at. Now international conservationists have taken a bead on Chernomyrdin. The World Society for the Protection of Animals has lodged an official protest with the Russian ambassador in London, describing the shooting as an "indefensible act". The ticking-off says "Prime Minister Chernomyrdin should do the honourable thing and issue a public apology for his actions."

Maybe he should stick to another of his hobbies – playing the accordion.

Two wheels good

■ Want to buy a piece of India's history? The country's oldest motorcycle manufacturer, Ideal Jawa, is reportedly up for sale, suffering from competition from the likes of Honda, Yamaha and BMW. Jawa has accumulated losses equivalent to $18m, and efforts by the government's Board for Industrial and Financial Reconstruction (BIFR) appear to be unable to revive it. Jawa is pushing out a mere 800 motorcycles a month, against a capacity of 3,000.

Presumably if the company goes under its models will start to acquire scarcity value. So anyone out there with one of Jawa's popular models – a Yezdi or Roadking – might one day be sitting on something with more oomph than they imagine.

The Financial Times

100 years ago

Tyres From Leather
An interesting public issue is that of the Leather Shod Wheel Company, which is about to introduce into this country what appears to be a most useful invention. The Company acquires the British rights of the Pierron and Klein leather tyre, which has been in use in Vienna since 1895. The process is to place on edge, side by side, small pieces of specially prepared leather and squeeze them together with tremendous pressure, when the leather becomes, it is stated, one solid elastic block. It is also stated, and the claim is verified by a number of certificates from Austrian customers, that the tyre far exceeds rubber in many respects.

50 years ago

Trade With Japan
Plans for resuming trade with Japan are in varying stages of development throughout the British Commonwealth, according to messages received from correspondents. Malaya is already shipping rubber. Australia may send wool, India cotton, Canada lumber and machinery, wheat and foodstuffs. South Africa's main interest is in Japanese textiles, which are likely to provide the chief source of payment for Empire raw materials.

FINANCIAL TIMES
Monday February 17 1997

Anger as Clinton intervenes to send striking pilots back to work

By Richard Tomkins in New York

American Airlines, the second-biggest US carrier, yesterday faced the threat of further confrontation with its pilots after intervention by President Bill Clinton ended a strike less than half-an-hour after it began.

Mr Clinton ordered the pilots back to work just after midnight on Friday night using emergency powers under the 1926 Railway Labor Act which covers the airline industry. It is the first time a US president has used these powers in 31 years.

The president's move left the pilots bitter because it temporarily deprived them of the right to withdraw their labour, undermining their negotiating power. "President Clinton has denied labour the only legal recourse we have," said Mr Bob Ames, strike co-ordinator for American Airlines' pilots in Miami.

The airline's flights were almost back to normal yesterday, and the company announced fare cuts of up to 50 per cent in an attempt to bring back customers.

American, which has lost an estimated $100m as a result of the strike, faced a continuing loss of advance bookings from passengers planning journeys more than 60 days ahead, because of the fear that a strike could recur.

Mr Clinton said he intervened because a strike would have disrupted US air travel. He was concerned that the strike had been called for the Presidents' Day holiday weekend, a peak period for winter travel.

Mr Mike McCurry, White House spokesman, said: "No Democratic president likes to prevent the ability of workers to strike, but at the same time there were legal grounds and economic grounds for doing this, as well as the travellers who would be stranded on a holiday weekend."

The transportation department had estimated that a strike would cost the US economy $200m a day.

Industry analysts, however, noted that Mr Clinton may have had little sympathy for a powerful, elitist group of employees whose pay averages $120,000 a year and who are predominantly Republican voters.

The dispute will go to a Presidential Emergency Board comprising three independent arbitrators, who have 60 days to settle the dispute. If they fail, the pilots may go on strike again – although Congress could order more negotiations or mandate a settlement.

The two sides are divided over two issues: pay and who will fly new regional jets American Airlines plans to buy. The airline wants the aircraft flown by its American Eagle commuter airline subsidiary, which employs lower paid pilots from a different union.

With no sign of compromise, the union warned: "We may have to go another 60 days, and then go out on strike a second time."

UK group's Tokyo man 'paid Hamanaka Y20m'

By Clay Harris in London

Mr Yasuo Hamanaka, former chief copper trader of Sumitomo Corporation, the Japanese trading company, received at least Y20m ($161,000) in cash from the Tokyo representative of a UK-based commodities trading group, according to a BBC TV *Panorama* programme to be broadcast tonight.

Mr Hamanaka goes on trial in Japan today on charges arising from unauthorised copper trading, which Sumitomo says cost it $2.6bn.

The payments to Mr Hamanaka were made in late 1992 and early 1993 shortly before Sumitomo signed the world's biggest copper deal, code-named RADR, with the UK group, Winchester Commodities.

A leading expert in futures and options commissioned by *Panorama* to study the complex RADR deal concluded it was "unfairly priced" in Winchester's favour, giving it an "excess profit of between $36m and $38m".

Documents from Winchester's files suggest that the RADR deal was intended to manipulate the world price of copper.

Panorama also reveals a document allegedly forged by Mr Hamanaka which supports part of the Japanese prosecutor's case against him. It was designed to give Mr Hamanaka sweeping powers to nominate anyone he chose to withdraw money directly from one of Sumitomo's trading accounts.

Yasuo Hamanaka: Sumitomo trader faces trial today

Another letter shows that he used this authority to grant US-based Global Minerals and Metals Corporation, a leading copper trader, the right to act as Sumitomo's agent. Regulators and law enforcement authorities, including the US Commodities and Futures Trading Commission, are investigating Global's relationship with Sumitomo.

The programme also reveals that the Securities and Investments Board (SIB), the UK's chief financial watchdog, had earlier urged the London Metal Exchange, which supervises metals trading in the UK, not to investigate Mr Hamanaka's apparent effort to create evidence of fictitious trades, and said it would not do so itself.

The LME was given correspondence in 1991 indicating that Mr Hamanaka had sought fraudulent confirmation from a former business associate that copper trades worth $282m had been conducted between them the previous year.

In December 1991, Mr Martin Vile, then the SIB's capital markets director, wrote to Mr David King, chief executive of the LME: "It seems very doubtful that the correspondence either falls within your jurisdiction or raises issues for you." Mr Vile added: "We are not undertaking any investigations ourselves."

The SIB says this applied only to the correspondence in question, and not to other inquiries, and it interviewed Mr Hamanaka and another Sumitomo official later that month.

According to Mr King, Mr Hamanaka said the fictitious trades were "tax-related" and "a way of moving profit from one accounting period to another".

The LME neither understood nor accepted the explanation, Mr King said, but it took no further action.

Deals that shook the copper market, Page 6

Merger deal

Continued from Page 1

common share in the new company, and each Stone share swapped for 1.0062 Abitibi-Consolidated shares.

Chicago-based Stone Container, which owns 47 per cent of Stone-Consolidated, will emerge as the largest shareholder with a stake of about 25 per cent. The deal is expected to be finalised this spring.

Mr Ron Oberlander, Abitibi's chief executive who will become chairman of the new company, said the merger would create "a far stronger company from both an operating and financial perspective".

Mr James Doughan, Stone's chief executive, will be chief executive of the merged entity.

Telecoms

Continued from Page 1

appointment by the US Senate.

Mr Larry Stone, BT's head of European Union affairs, said the agreement's regulatory reference paper, setting out guidelines for policing the world market, was particularly important, although it was not clear how it would operate in practice.

While the deal did not specifically encourage BT's hopes of regulatory approval for its planned merger with MCI of the US, it was part of the "philosophical background" against which the deal could find approval, the company said.

THE LEX COLUMN

Cheap talk

The weekend's successful global telecoms pact officially ushers in an era of competition. The old paradigm of monopolies confined within national frontiers is out; a new model of cross-border competition is in. This shift has two big implications for investors. First, as in other high-tech industries, competition will lead to rapid price erosion. Companies will only be able to expand if they can hook up many more people and provide new services that existing customers will pay for. In most developed countries, it will be impossible to earn more money from ordinary calls; there is a limit to the amount of time people will spend talking on the phone. The best bet for expansion is probably growing demand for "bandwidth" – fat connections that can transmit vast amount of data and video. Here the personal computer industry offers a pointer; it has combatted price erosion by continually upgrading the product.

Second, telecoms could exhibit cyclical features, like the memory chip industry. As investment barriers are lifted, new capital will be attracted to the industry's fat margins. Lurches from feast to famine are possible. Companies will increasingly be forced to make premature asset write-downs. Risk will increase.

The future is not all gloomy. Some companies will avoid cut-throat competition because they are innovative or develop a reputation for good service. Others may get an edge if they have the global reach to cater to multinational customers – assuming only a few telecoms companies have such capability. Yet others will flourish simply by having lower costs or being more nimble. But the environment will undoubtedly be harsher.

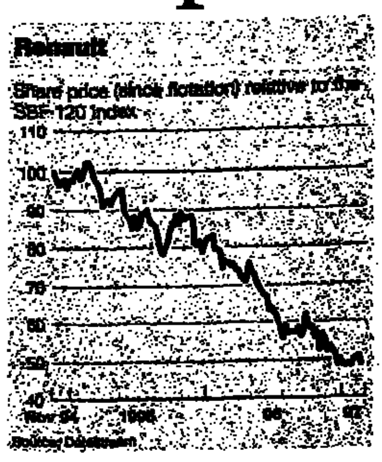
Pulp and paper

North American paper companies have been slow to read the tea-leaves. But news that Abitibi-Price and Stone-Consolidated are to merge suggests the global consolidation message may be gaining momentum. They are not the first companies to combine, but Scandinavian producers have so far restructured more energetically.

The deal was doubtless expedited by the depressed demand outlook; newsprint producers were recently forced to delay scheduled price increases. And with demand in North America predicted to remain soft for some years, producers are under pressure to achieve cost savings. Abitibi believes the merger will save C$100m in annual costs. Larger, more financially robust companies will also be better able to build new generation mills necessary to remain low cost producers.

But there are also structural pressures forcing change: the advent of new producers in Latin America and Asia, and the concern that electronic media will eat away at the paper market. Clearly more consolidation is needed. The industry remains extremely fragmented, especially considering it produces a commodity product where low cost of production is paramount. By bolstering producer bargaining power, consolidation should help stabilise prices. But that would also require a measure of discipline among producers, a commodity hitherto in short supply. Indeed, lack of self-restraint has been an important factor depressing prices.

Renault



One look at January's new car sales explains Renault's latest squeal of woe. Within a European market that dropped 3 per cent, registrations in France collapsed by a third, following the expiry of last year's government purchase incentives. The French carmakers, which are still heavily exposed to their home market, are paying the price. While Peugeot-Citroën should manage to stay in the black, Renault warned on Friday that its 1996 losses would be worse than forecast. Analysts estimate a pre-tax deficit of more than Ffr2bn and expect the group to lose more money this year. While its car division, with an outdated model range and high fixed cost base, is the main culprit, the truck operation is also in the red. It is no surprise that Renault has underperformed the French market by 50 per cent since its 1994 flotation.

Although Renault may be the hardest-hit, it is not the only victim of the European car market's huge excess capacity. Fiat and Ford also lose money in Europe. So far, however, companies have preferred incremental cost cutting to bold but painful structural solutions. Ford's decision to cut production at Halewood in the UK is a positive sign. And if Mr Jacques Calvet leaves Peugeot, perhaps a new chairman will follow a similar approach. But there will have to be far greater changes before all of Europe's carmakers earn adequate returns.

Granada

A year after Granada won over UK hotel group Forte, the value of its share offer for Forte is 62 per cent above the pre-bid share price – so Forte shareholders should be happy. Moreover, everything has gone according to Granada's attack plan. In the next six weeks, it should announce more than £1bn of disposals, reducing debt to more sustainable levels. And the sale of Welcome Break, Alpha and Savoy should fetch over £200m more than promised – enough to off-set disappointment over problems selling the Grosvenor House.

But while the Forte takeover was well timed in terms of the hotel market, it remains doubtful that Granada's shareholders are better off. In the year to September 1998, old Forte is forecast to make only £80m more operating profit at the hands of Granada and other buyers than under its old management. Yet Granada paid a £1bn bid premium and vast costs on top. Moreover, the after-tax return from businesses it plans to retain in 1998 will probably be below 10 per cent of their net cost, even after the upswing in hotel profits. This is below Granada's cost of capital, suggesting the acquisition could destroy value.

More disposals would swing the balance. Hilton Hotels's bid for ITT has made Forte's Meridien brand more valuable. Its Heritage hotels are enjoying the increase in leisure spending. These could be sold, along with the unbranded London hotels. Granada would be left with Forte's Posthouse and Travelodge hotel chains, the roadside restaurants and a very healthy return on investment. Its Forte bid might look like an asset stripping exercise, but shareholders would hardly object.

EU states to be shamed into abiding by single market

Continued from Page 1

The Commission says Germany is using its standards as a protectionist weapon.

"Member states do not like to have the finger pointed at them," said Mr Monti. "It is part of the game to embarrass."

The score board will go beyond figures already published by the Commission – the percentage of EU directives made into national law – to include the number of complaints against a country, the delay in meeting deadlines for implementing laws, how many legal actions have been opened by the Commission, levels of state aid, and surveys of business opinion about the openness of national markets.

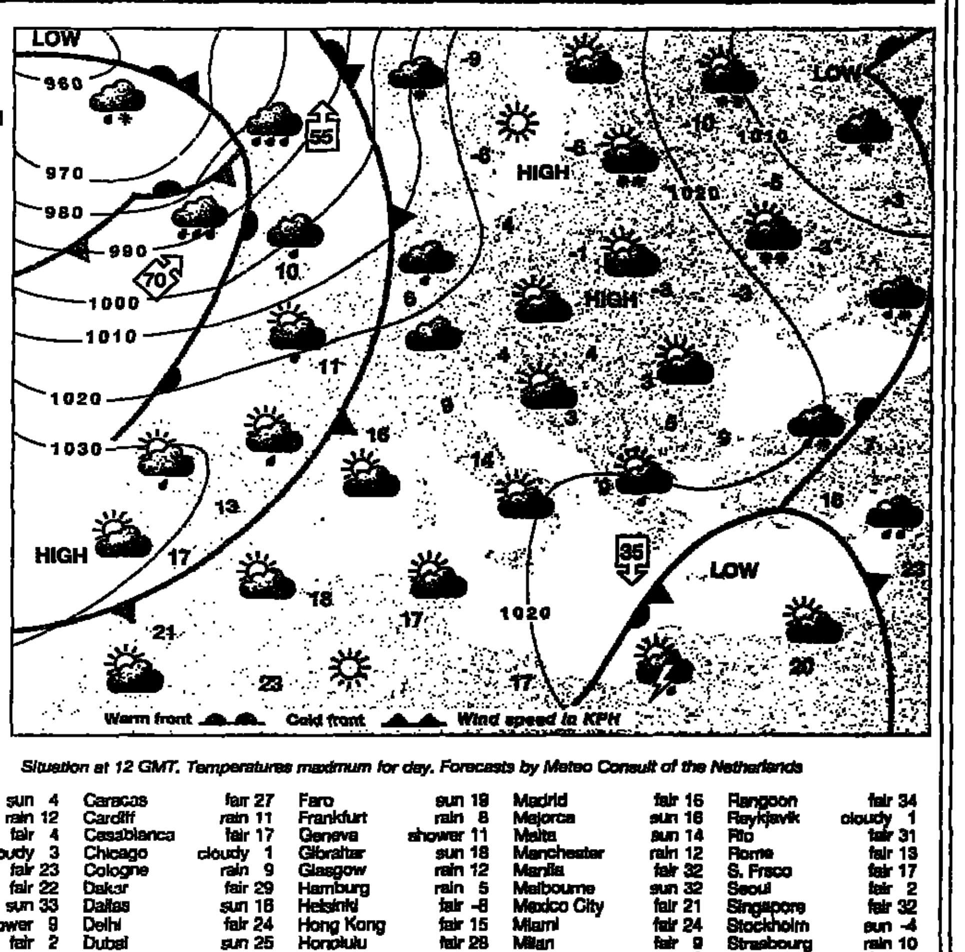
FT WEATHER GUIDE

Europe today

A series of frontal systems will move into the continent producing rain and wind. Copious rain will occur, especially over the UK where there will be gales and strong gales in coastal regions. Southern and central Europe will be much calmer owing to a high pressure area. Most of Spain and Portugal will have plenty of sun. The Alps, most of Italy and Poland will start rather sunny, but cloud will arrive from the west. Most of Scandinavia and Russia will continue wintry with some snow. South-eastern Europe will turn colder.

Five-day forecast

A strong westerly flow will bring unsettled and mild conditions to most of the Europe. However, central and northern Scandinavia and most of Russia will continue wintry with occasional snow. Spain and Portugal will have most of the sun and temperatures will rise as high as 20C.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 4	Caracas	fair 27	Faro	sun 19	Madrid	fair 15	Rangoon	fair 34
	Celsius	Belfast	rain 12	Cardiff	rain 11	Frankfurt	rain 8	Majorca	sun 16	Reykjavik	cloudy 1
Abu Dhabi	sun 23	Belgrade	fair 4	Casablanca	fair 17	Geneva	shower 11	Malta	sun 14	Rio	fair 31
Accra	fair 32	Berlin	cloudy 3	Chicago	cloudy 1	Gibraltar	sun 18	Manchester	rain 12	Rome	fair 13
Algiers	sun 18	Bermuda	fair 23	Cologne	rain 9	Glasgow	rain 12	Manila	fair 32	S. Frsco	fair 17
Amsterdam	shower 8	Bogota	fair 22	Dakar	fair 29	Hamburg	rain 5	Melbourne	sun 32	Seoul	fair 2
Athens	shower 14	Bombay	sun 33	Dallas	sun 16	Helsinki	fair -6	Mexico City	fair 21	Singapore	fair 32
Atlanta	sun 14	Brussels	shower 9	Delhi	fair 24	Hong Kong	fair 15	Miami	fair 24	Stockholm	sun -4
B. Aires	fair 29	Budapest	fair 2	Dubai	sun 25	Honolulu	fair 28	Milan	fair 9	Strasbourg	rain 10
B.ham	rain 12	C.hagen	rain 1	Dublin	rain 13	Istanbul	rain 9	Montreal	sun -12	Sydney	fair 27
Bangkok	fair 36	Cairo	sun 20	Dubrovnik	sun 10	Jakarta	fair 30	Moscow	snow -10	Tangier	sun 16
Barcelona	fair 16	Cape Town	fair 20	Edinburgh	rain 11	Jersey	windy 11	Munich	shower 5	Tel Aviv	sun 23
						Karachi	sun 26	Nairobi	fair 30	Tokyo	cloudy 11
						Kuwait	sun 23	Naples	fair 11	Toronto	fair -6
						L. Angeles	fair 19	Nassau	fair 26	Vancouver	rain 12
						Las Palmas	fair 21	New York	sun -1	Venice	fair 8
						Lima	fair 28	Nice	fair 13	Vienna	fair 3
						Lisbon	fair 16	Nicosia	sun 19	Warsaw	fair 0
						London	rain 11	Oslo	snow -2	Washington	sun 2
						Lux.bourg	shower 6	Paris	rain 11	Wellington	sun 22
						Lyon	fair 10	Perth	sun 31	Winnipeg	snow 2
						Madeira	fair 18	Prague	fair 2	Zurich	shower 8

FINANCIAL TIMES
COMPANIES & MARKETS

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Freeport expected to lead Busang gold development

By Bernard Simon in *Toronto and Greg Earl* in Jakarta

Freeport-McMoran Copper *and Gold, the New Orleans*-based resources group, is expected to lead the development of the Busang gold *deposit* in Indonesia under a deal which may be sanctioned by the country's government today.

Freeport's emergence as a participant in Busang follows the collapse of talks between Bre-X Minerals, the small Calgary-based exploration company that discovered the deposit, and Canada's Barrick Gold.

Busang is regarded as the biggest gold discovery this century, with reserves of at least 57m ounces.

The Indonesian government invited Barrick last November to spearhead the *project*, and *set* today as a deadline for Barrick, Bre-X and various *local* partners to hammer out an agreement.

However, Barrick's board decided early last week to break off talks with Bre-X after the two sides failed to agree on terms.

Freeport is expected to acquire a 15 per cent interest in Busang, with 45 per cent for Bre-X and 40 per cent for Indonesian interests. Freeport would operate the mine and contribute US$400m towards its $1.6bn construction cost. Freeport shares jumped US$2.50 to $31.12 in New York on Friday.

Under a deal made under pressure from the government in December, Barrick would have owned 67.5 per cent of Busang, with 22.5 per cent for Bre-X and 10 per cent *for local investors*.

However, this deal came *apart when* Vancouver-based Placer Dome proposed a "merger *of equals*" with Bre-X, including a 40 per cent stake for the government and local investors.

Placer was encouraged by Mr Mohamad "Bob" Hasan, an Indonesian businessmen and a golf partner and confidant of President Suharto. A company controlled by Mr Hasan recently bought a 50 per cent stake in PT Askatindo, which is a minority shareholder in Busang.

Mr Hasan last month also acquired a 4.7 per cent stake in Freeport Indonesia, a large copper and gold producer 81 per cent owned by Freeport-McMoran. Freeport's chief executive Mr Jim-Bob Moffett is said to be close both to Mr Hasan and to President Suharto.

Freeport's involvement may not be the end of the Busang saga, however. According to analysts, Barrick, *Placer or another mining* group may bid for Bre-X on the open market, and Freeport may be willing to *sell its stake at a later stage*.

Freeport, 12 per cent owned by RTZ-CRA, the mining group, has said it was not interested in participating in Busang.

Warburg low bid secures Mexican privatisation job

By John Gapper in London

SBC Warburg, the *investment bank, has surprised* close rivals by agree*ing to advise the Mexican* government on privatisation of the country's airports for a final fee a fifth the size of what others sought to charge.

Warburg won a contract to advise Mexico on privatisation of 58 airports by offering to charge a "success fee" of only $2m, compared with bids of over $10m made by both N.M. Rothschild and BZW, the investment banking arm of Barclays.

The bid, in a tender organised by the World Bank, *shows* the strength of competition for international pri*vatisation advice contracts*. This has driven down the *level of advisory fees to* levels that some banks regard as uncommercial.

As well as the success fee, Warburg will be paid a *monthly fee of $100,000 during* the two years the contract *is thought likely to* last. It may also get a head start in any tenders for related initial public offerings (IPOs).

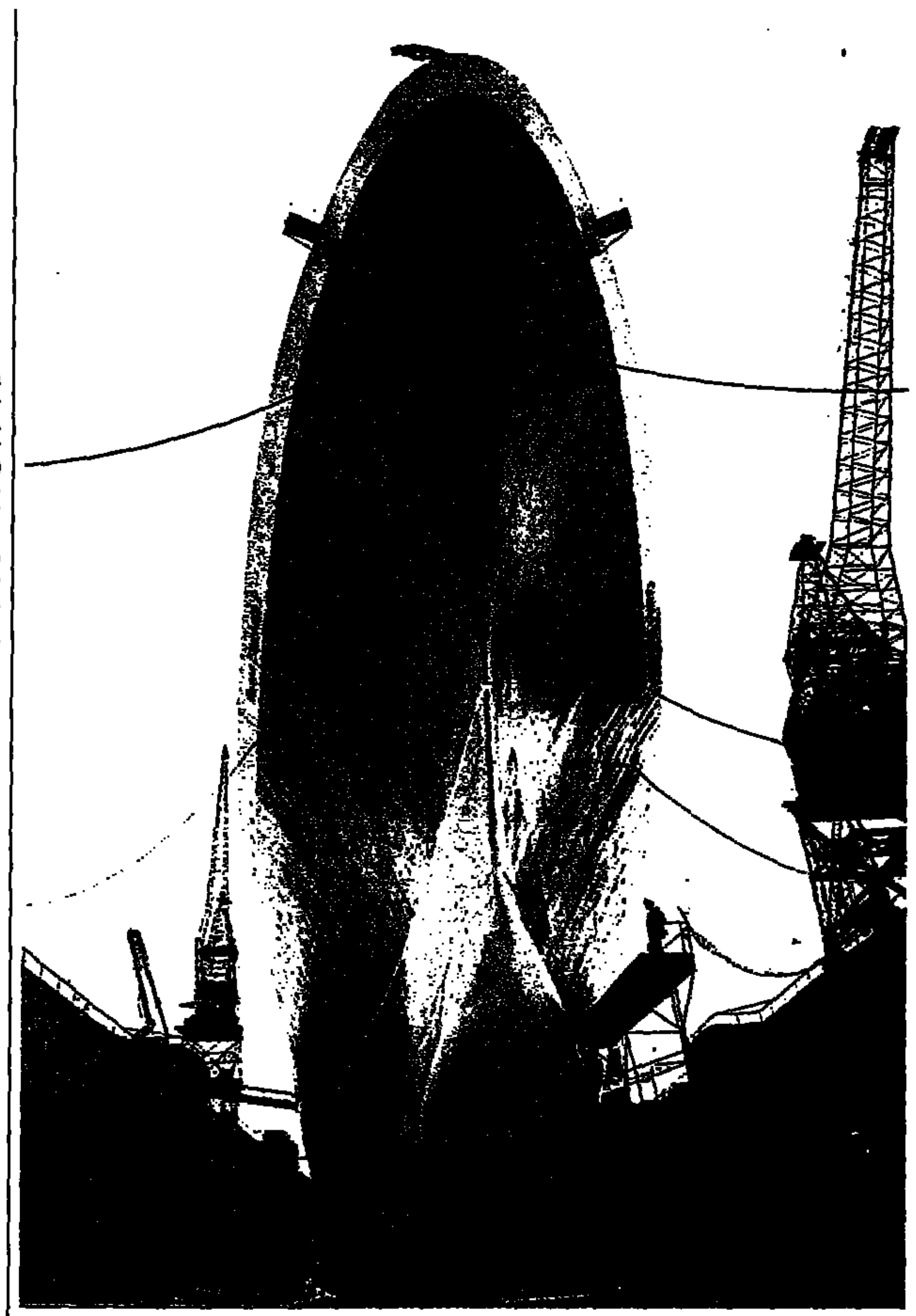
One rival bank estimated that it would cost about $8m over two years to fulfil the contract, including staff and related costs. That would mean Warburg would lose $3.5m, although the bank itself is confident of making a profit.

Investment banks have been keen to win contracts to advise governments on privatisations because of the prestige of such work. How*ever*, underwriting fees on IPOs have fallen as a result *of competition among* banks.

The World Bank has organised tenders among banks for work on privatisations and has a standard pro*cess of ranking the contenders* on various measures. *BZW is thought to have* come first on other measures but *lost* on price.

One investment banker involved in the bidding described the Warburg bid as "a bit of a surprise". Another said he could not understand why Warburg had made such a low bid, adding it "must be desperate for a landmark deal".

Mr James Sassoon, global head of privatisation for Warburg, insisted that it had no motive to seek business on uneconomic terms because it led league tables *for mergers and acquisitions* work in Latin America during 1996. It advised Mexico *on the privatisation of Sidermex*, the steel company.



A&P looks for trade buyer after dropping plans for flotation

A&P Group, the UK's largest ship repair and con*version company, is seeking* a trade buyer after deciding *not to proceed with a stock* market flotation, writes Tim Burt.

The company, 41 per cent owned by Schroder Venture Managers, has launched an international auction and asked Hambros Bank – appointed to handle the sale – to draw up a shortlist of prospective bidders.

These are thought to include UK engineering group Babcock International, German ship repair business Blohm and Voss, and Kvaerner, the Anglo-Norwegian shipbuilding and engineering group.

A number of Asian ship repair yards are also thought to have expressed interest.

Hambros is marketing A&P as Europe's most profitable and fastest growing ship repair company after the introduction of new working practices and a £10m investment in new equipment.

Pre-tax profits at the company are thought to have jumped from £3.74m ($6m) to about £10m on increased sales of £130m in 1996. The company recently completed a £12m refit of the QE2 cruise liner, business which it won from Germany. The picture shows the QE2 in 1980 in the King George V dry dock in Southampton.

Hambros is thought to have told A&P and its venture capital owners that a trade sale could realise greater value than a flotation or merger.

It hopes to receive final offers in the next six weeks, with sale completion likely in early summer.

One of the prospective bidders said it would wait for confirmation of A&P's 1996 figures before deciding on an offer.

Picture: Ashley Ashwood

Telefónica shares set to be near maximum price level

By Tom Burns in Madrid

The Spanish government could raise up to 10 per cent more than the Pta600bn ($4.2bn) initially forecast, when the privatisation of Telefónica is completed tomorrow at a share offer price expected to be near the maximum level.

The price for the government's remaining 21 per cent of shares in the telecoms operator, which has performed strongly in the closing days of the offer, will be decided today after the *New York stock exchange* closes.

It is likely to be near the Pta3,385 per share ceiling *fixed when the final sub*scription period opened last Monday.

Telefónica shares closed on Friday in *Madrid* at a record high of Pta3,400 when the subscription period closed.

With the overall offer 5.45 times subscribed and strong demand from the retail tranche which will receive a 4 per cent discount, analysts believe that only a particularly bearish market today will peg the offer price much below the maximum.

Such a pricing means that the offer, not including the discount for small investors, will be worth up to Pta663bn, well over three times the amount ever raised *through* a disposal of state owned equity in Spain.

The global co-ordinators of the issue *Morgan Stanley* of the US, and the domestic banks Bilbao Vizcaya, Argentaria and La Caixa met yesterday to review bids for shares and decide on allocations.

In the retail tranche, the initial 50 per cent of the offer has been increased to 60 per cent to meet demand.

Telefónica had promised a minimum of Pta100,000 worth of Telefónica shares to small investors who bid for them but this ceiling is now likely to be reduced in order to satisfy all of the 1.2m or so Spaniards who have placed orders in the privatisation process.

Japanese oil refining merger considered

By Michiyo Nakamoto in Tokyo

Showa Shell Sekiyu and Mitsubishi Oil, two of Japan's largest oil companies, are considering merging refining operations in an attempt to survive a sharp fall in profits.

A merger between Showa Shell and Mitsubishi Oil, respectively fifth and sixth *largest* in the Japanese industry, would create the *country's* largest oil refinery with sales of about Y2,000bn ($16bn) and a domestic market share of about 20 per cent.

The merger discussions highlight growing pressures in Japan where profits have been hit by deregulation of petroleum product imports and fierce price competition.

The deal would mark the first large merger in the industry since 1984 when Maruzen Sekiyu and Daikyo Sekiyu amalgamated to become Cosmo Oil.

The talks come as leading oil companies move to consolidate unprofitable downstream operations, British Petroleum and *Mobil* having agreed to combine their refining and distribution operations in Europe.

Mitsubishi Oil said the two companies were studying the possibility of a merger "as part of an effort to restructure and raise efficiency".

Mr Haruyuki Niimi, chairman of Show Shell Sekiyu, said various possibilities "including a merger of refining operations are being considered." *Mitsubishi Oil* announced last week that it would post a pre-tax recurring loss for the first time in 12 years as a result mainly of wholesale price cuts implemented to support affiliated retailers.

Mitsubishi said that it expected a recurring loss of Y9.5bn in the year to March, compared with a profit of Y20.7bn last year.

Meanwhile, the company's chairman, Mr Kikuo Yamada, is expected to resign to take responsibility *both for the poor performance*, according to Japanese press reports.

Show Shell Sekiyu, which was *formed in 1985 through* a merger of Shell Sekiyu and Showa Oil, is 34.3 per cent owned by Shell Petroleum.

The pressures in the market have already forced oil refiners to join hands by sharing distribution facilities. Nippon Oil, Japan's largest distributor of petroleum products and Idemitsu, a large refiner, have already tied up in distribution.

Enterprise set to develop large Apennines oil find

By Robert Corzine in London

Enterprise Oil, the UK's *largest explorer, hopes to* proceed soon to the full-scale development of one of western Europe's largest oil discoveries after a technical breakthrough.

Mr Pierre Jungels, Enterprise's chief executive, said computer models of the complex geology of the find in the southern Apennines of *Italy would help the company* reduce the risk of development wells suddenly running dry.

The discovery, which contains at least 10bn barrels of oil, is important for the *strategy of* Enterprise and its partners, which include Agip of *Italy* and *Lasmo*, the UK's second largest explorer.

"Many people still don't realise the size and importance of the oil discoveries in the southern Apennines," Mr Jungels said in an *interview*.

Enterprise is increasingly confident that wells will be able to produce up to 10,000 barrels a day each. The *computer model* is also helping to reduce the costs of dril*ling, with wells averaging* about $15m each.

Three *big fields* – *Monte* Alpi, Tempa Rossa and Cerro Falcone – have been discovered in the area in the past nine years. But there has been uncertainty about how much oil can be recovered because of the mountains' difficult geology.

"If *you can find* the fractures...you're in business," said Mr Jungels. "The new computer model tells us where those fractures are."

Enterprise will not speculate about the eventual *recovery rates for the area*, but Mr Jungels predicted that "they will go up". Further exploration needs to take place before the area's full potential is known.

Mr Jungels was also optimistic that the heavy oil reserves of Tempa Rossa – which accounts for about half the discoveries – can be commercialised. "It's an excellent bitumen crude and we are contemplating gasification or using it in power plants."

Political concerns which threatened to stop the development *of the region's oil* reserves had also been overcome, he said. "It's true that at first the local authorities saw all the disadvantages of oil development and none of the benefits."

But a new law provides for the 9 per cent royalty payable by Enterprise and its partners to be split equally between the central government in Rome, the Naples administration and the local villages.

Mr Jungels said the slow *pace of securing planning* approvals in the area was offset by the absence of political risk, the proximity of the reserves to the market and an attractive tax regime.

Former LucasVarity director ready if demerger proposals fail to win support

Salvesen rebels may oust board

By Tim Burt

Rebel shareholders at Christian Salvesen, the UK distribution and equipment hire group, will this week announce plans to remove the board and install a new chief executive as part of a campaign against the demerger plan.

Sir Gerald Elliot, former Salvesen chairman who leads the investors, is expected to say that Mr John Grant, former finance director of LucasVarity, has agreed to become chief executive if shareholders throw out the demerger proposal. The rebels, who control about 10 per cent of Salvesen's shares, believe Mr Grant's previous record at the Anglo-US engineering group could persuade City institutions to back them.

Sir Gerald wants Salvesen to abandon the planned demerger of Aggreko, its equipment hire business, and withdraw a £150m ($244.5m) special dividend and share buy-back, funded partly by a foreign income dividend. The company announced the plan last November as a way of returning value to shareholders, some of whom were aggrieved that it rebuffed a £1.18bn bid from Hays, the rival support services group, earlier in the year.

Rebel shareholders hope news of Mr Grant's support will overshadow the expected publication this week of further details of Salvesen's special dividend plans, which would leave the group with gearing of more than 100 per cent.

The document – drawn up by SBC Warburg, Salvesen's advisers – is likely to claim the group can afford the dividend because it is more cash generative and less capital intensive than in the past. Shareholders will also be told that gearing should fall progressively following the special dividend pay-out. The dividend plans are expected to be put to an extraordinary meeting next month.

That meeting may also hear proposals from Mr Grant for a strategic overhaul of Salvesen, in which it would use its balance sheet to fund organic investment rather than a capital distribution for shareholders.

At LucasVarity and previously Lucas Industries, 49-year-old Mr Grant was credited with helping to engineer last year's £3.2bn merger with Varity Corporation of the US and improving financial controls at the UK automotive components and aerospace group.

He resigned at the end of last year, however, in what some industry analysts claimed was a management putsch by Varity. At the time, Sir Brian Pearse, LucasVarity chairman, said Mr Grant was seeking a chief executive role.

Although Salvesen's existing management has been criticised by some investors, several institutions indicated last week that they were likely to back the incumbent team. "The proposals will stretch the group but they are moving in the right direction, and we are prepared to support the company," said one fund manager. Another added: "We are unconvinced that Salvesen should gear up the balance sheet to pay a special dividend, but when we met the rebels they did not have a concise plan for reviving the company."

Agencies to end partnership

By Alison Smith in London and Andrew Jack in Paris

True North of the US and Publicis, the French-based advertising group, are close to a deal which would dissolve their Publicis-FCB European joint venture network.

Under terms discussed within the past few weeks, the agreement would give True North, the advertising agency, control of four to six of the European offices in Publicis-FCB – believed to include Paris and London – while Publicis would take over the rest of the network.

There would also be new co-operative arrangements in other parts of the world and clients of the joint venture who so chose would continue to be serviced by their existing teams during a transitional period.

Publicis would retain a 20 per cent stake in True North, which would in turn increase its stake in Publicis Communications, an unquoted subsidiary of the French group, from 20 per cent to about 25 per cent.

The deal would end a partnership which began in 1988 but became acrimonious over the following years. Publicis took a one-fifth stake in True North, which is quoted, and 51 per cent control of the European joint venture. True North took a 20 per cent stake in Publicis Communications at the same time.

The deal's terms may still be modified during the final stages of the protracted discussions, which have already forced the announcement of an agreement to be postponed several times.

However, a break-up has become increasingly inevitable, and early in 1996 an initial protocol suspending their links was signed.

Publicis has since developed two separate European networks and launched a programme of foreign acquisitions. True North announced earlier this month the purchase of Wilkens International of Germany, which is represented in 19 European countries.

Mr Maurice Lévy, Publicis chairman, recently argued that tensions began with a change of management at True North in 1991.

Another executive close to the talks said of the link: "They were basically married, and when you're married you don't date. True North take marriage very seriously and Maurice [Levy] didn't. You could say it was cultural."

Institutions hold key to Clyde Petroleum

By Jane Martinson

A small group of fund managers will decide the fate of Clyde Petroleum in the next two days, as the oil independent's battle against the £494m hostile offer from Gulf Canada Resources draws to a close.

Schroders, Norwich Union, Capital Group, the Whittington Group and the Prudential, all hold significant stakes in Clyde and have until tomorrow to accept the cash offer.

Mr Mike Kerr, at Capital Group in California, which holds a 9.8 per cent stake in Clyde, said that the offer was so finely balanced that *his vote could swing it* either way.

In common with other investors, he said the group would be making its mind up at the weekend.

Gulf was able to buy 29.9 per cent of its target last week, helped by PDFM, Clyde's second largest shareholder, selling its 15 per cent stake in the market.

Clyde's shares closed on Friday down 2p at 117½p, below the 120p a share offer.

In the past week the argument has concentrated on the oil price which has fallen about 10 per cent since the bid was launched in December.

Gulf has increased its initial bid by 15p a share, but Clyde published a report by Energy Resource Consultants which argued for a basic net asset valuation of the company of some 120p a share before taking into account any premium for control.

Eastern Group in talks with Celtic Energy

By Simon Holberton

Eastern Group, part of Energy Group, which is shortly to be demerged from Hanson, the Anglo-US group, is in discussions with Celtic Energy, the Welsh opencast coal miner, about developing a clean coal power station of about 400MW.

The plant would be one of several the group plans to build, including two further combined cycle gas-fired plants and an unspecified number of combined heat and power facilities.

At a meeting on Friday, Hanson shareholders are expected to approve the demerger of Energy Group, which consists of Eastern Group, led by chief executive Mr John Devaney, and Peabody coal of the US.

The shares are due for listing on the London and New York stock exchanges next Monday.

For Celtic, the deal would be an important plank in its strategy to become an integrated energy company.

In January, it said it would buy the 360MW Uskmouth B power station from National Power for an undisclosed sum.

A grey market in the shares shares begins tomorrow. Brokers' estimates for the value of Energy Group range from Merrill Lynch at 450p to Yamaichi at 610p.

"It depends on whether you believe Energy Group is an intergrated group or an investment trust", said one sector analyst.

The Energy Group's plans are among several under consideration in the industry. RJB Mining announced last week that it and Texaco, the US oil company, planned a 400MW power station at its Kellingley colliery in West Yorkshire.

The partners hope to begin construction of the £300m power station by the year end.

The coal gasification process that the RJB/Texaco will use reduces emissions of sulphur to virtually zero.

However, the power produced costs about 3p kW/h, compared with wholesale prices of 2.3p kW/h. The Eastern/Celtic plant will use different technology, which its backers consider more efficient and cost-effective.

They say that the plant will not need a subsidy to be able to compete with other generators in the market.

Celtic produces 2.5m tonnes of coal a year. It is the successor to British Coal's south Wales opencast mining division.

Tony Andrews

John Devaney: the new plant 'will not require a subsidy'

Private provision to take the strain

As Germany's *state pension scheme* gets into difficulty, **Andrew Fisher** considers the options

Pensions have become an emotional subject in Germany, but fund management companies are taking a cool-headed look at the opportunities they expect to come their way once the financially overloaded system is reformed.

At present, the government is still in a quandary about the best way to overhaul the state pay-as-you-go system. With individual and employers' contributions edging up, however, and future pensions set to decrease as a percentage of final incomes, the need for increased private provision has been highlighted.

In coming decades, there will be fewer workers to pay the pensions of those no longer working. Already, high unemployment has put strain on the PAYG system. Workers are gradually waking up to the fact that they need to invest more themselves for the future.

This is likely to mean more business for asset management companies. The Bonn government is working on ways to encourage both individual investment for retirement – through special equity- and property-based funds – and independently-managed company pension funds along Anglo-Saxon lines. These would be aimed at augmenting not replacing the state system.

Mr Josef Wertschulte, a director of Bayerische Hypotheken- und Wechsel-Bank, is convinced pension funds are on the way. "There is a strong chance that we shall see a change in the law this legislative period to encourage pension funds," he says. "This is likely to be done by amending the investment law, so new pension funds do not have to pay tax on contributions."

This would put them on the same terms as companies' in-house pension schemes, in which the money (known as book reserves) set aside to meet future retirement obligations is used to defer tax liabilities. These corporate pensions supplement those from the state.

"Pension funds could total between DM1,600bn ($945bn) and DM2,000bn in 10 years if the right legal and tax conditions were created," Mr Wertschulte adds. This would be double the size of the present equity market.

It would also be an enormous advance on the present size of German pension funds, known as Pensionskassen. Because tax is already payable at the contribution stage, their growth from the present level of some DM100bn has been hampered.

FUND MANAGEMENT

But Mr Wertschulte believes there is a readiness in Bonn to act. Since pension funds invest heavily in the stock market, they would make more finance available for new issues and more companies would be encouraged to go public. "Politicians know it is small companies that provide the most new jobs."

With the help of Hypo Foreign & Colonial Management of the UK, in which the German bank owns 65 per cent, and Massachusetts Financial Services (MFS), its US marketing and product partner, Hypo-Bank intends to make a frontal assault on the pensions market from both retail and institutional ends.

Mr Peter Laird, an MFS manager, believes the "phenomenal growth" of the US mutual fund industry could foreshadow events in Germany, especially with the worldwide trend to more self-reliance in retirement planning.

MFS manages some $53bn worth of assets, mostly on the retail side. Over time, Mr Laird says, the business will be concentrated among "20 to 25 big players that have the financial resources to invest in personnel and technology to provide superior investment results service global markets". Nor do only US and European groups have ambitions in fund management. "Some Japanese banks are also making enquiries about investment management companies in the US."

Hypo-Bank is also – not averse to further acquisitions, though Mr Wertschulte says none is planned. The group expects its assets under management to increase from DM100bn to about DM250bn in five years' time. Increased pension business will play a large role in that expansion.

In the view of Mr Arnab Banerji, Foreign & Colonial's chief investment officer, Germany must move in the Anglo-Saxon direction of independently-managed pension funds and more individual retirement saving. Citing Japan, where the pension system is also under immense strain, he says: "The alternative is horrendous – longer working and lower pensions."

The problem is how to get this across to the German public. "People at all levels of government are acutely aware of the problem," Mr Banerji says. But action has been slow in coming. When changes are made, however, there will be plenty of fund companies banging on the door to gain access to the German pensions market.

Yet Mr Wertschulte reckons foreign groups will not find it that easy to penetrate Germany. "Competition will be heavy, but domestic asset managers have an advantage in their own country. The bulk of business in the US, the UK and other markets is with local institutions, and so it will continue to be the case in Germany."

Rough ride for Televisa

By Leslie Crawford in Mexico City

Televisa, the Mexican media giant, is likely to experience a bout of volatile trading on the Mexico City and New York stock exchanges this week because of concern over the ill health of Mr Emilio Azcárraga Milmo, chairman and controlling shareholder.

The company's American Depository Receipts (ADRs) lost 7 per cent in value between Thursday and Friday, as Televisa executives fought to quash damaging rumours, including reports of Mr Azcárraga Milmo's death. Televisa's ADRs closed at $25.50 on Friday, giving Latin America's leading broadcaster a market capitalisation of $3.9bn. The Azcárraga family controls 52 per cent of the voting stock.

What is worrying investors, traders say, is the possibility that Mr Azcárraga Milmo, who is 66 and has led Televisa since his father's death in 1972, may be too ill to resume management responsibilities. Mr Emilio Azcárraga Jean, his 29-year-old son and designated successor, is considered too young and inexperienced to take over the company.

"While a change of head might not be a factor in other companies, in the case of Televisa this is an important event," Merrill Lynch, the US investment bank, said on Friday.

The company has had only two chairmen in its 67-year history, and Mr Azcárraga Milmo exerts a heavy influence in many areas, including strategy, programming, actors and news content.

Merrill Lynch said: "In Televisa, no important decision takes place without the approval of the chairman. The transition to a new head and possibly a new management style could be difficult in a context of fierce domestic competition. However, it could also bring opportunities for improvement at the company."

The direction of Televisa's programme output is a tall order. The company produces more than 50,000 hours of television a year – more than the output of the US networks ABC, CBS and NBC combined.

Investcorp in line for Welcome

By Christopher Price

Investcorp, the Bahrain-based investment group, has emerged as a prospective bidder for the Welcome Break service chain being auctioned by UK-based Granada.

Mr Michael Guthrie, a former chairman of Pavilion Services, the motorway service station chain bought by Granada in 1995, is also understood to be part of the Investcorp consortium.

Investcorp is one of a small number of bidders for the 21-strong motorway service station group. The sale is being undertaken to avoid a reference to the Monopolies and Mergers Commission, following the takeover by Granada of Forte.

Other known bidders are Asda, the UK's fourth biggest supermarket chain, and Cinven, the venture capital group. The offers for Welcome Break are understood to value the business at between £400m and £450m ($729m) Analysts had expected the auction to realise between £300m and £350m.

Investcorp also announced its results for 1996 yesterday, reporting a 29 per cent rise in net profits to $90.4m (£55.8m). Return on average shareholders' funds rose from 16.2 per cent to 18.5 per cent.

BAe buys US group

By Bernard Gray, Defence Correspondent

British Aerospace has acquired the remaining stock it did not own in Reflectone, a US training and simulation company, for about $40m. (£24.6m). BAe currently owns 48 per cent of Reflectone's shares, and is offering $24 a share to buy out the remainder.

The shares are to be acquired by British Aerospace Holdings, a US subsidiary of BAe. Reflectone designs and manufactures flight simulators, weapons training equipment, maintenance training aids and other training equipment for military and civilian customers.

Reflectone's business is primarily in the US market, but the company is trying to expand into the UK.

Exchanges in Globex replacement talks

By Laurie Morse in Chicago

Paris, Chicago, and New York futures exchanges are discussing a technology sharing agreement that could give them common clearing and screen-trading software by 1998. The talks were prompted by the announcement by Reuters, the UK information company, that it would shut its Globex screen-based futures trading system next year.

The system being discussed by the exchanges could accomplish what Globex failed to do: unite many of the world's derivatives exchanges on a single screen, and make their products available around the clock. The system may even be called Globex, as the Chicago Mercantile Exchange owns the rights to that name.

The CME, the New York Mercantile Exchange, and its subsidiary, the Comex are negotiating with the Paris Bourse to adopt its NSC screen trading system. The Bourse's system is being adapted for derivatives trading and Matif, the French futures exchange, has already adopted it.

At the same time, the New York and Chicago Exchanges are talking to Paris about adopting their trade processing software, called Clearing 21. Executives from the Bourse and Matif will be in Chicago this week to discuss details of the technology swap.

If the deal were completed, Paris, New York, and Chicago exchanges would have compatible technology that could allow closer product co-operation and substantial cost savings to their common members.

The bourse's NSC system has an open architecture that is adaptable to a variety of user interfaces, a flexibility Globex lacked. Matif and CME were partners to Globex and would like to continue their trans-atlantic co-operation in an after-hours trading facility.

The Chicago Board of Trade is not party to the discussions, though a resolution to meld clearing operations with the CME, made last week, could eventually draw the CBOT, the world's largest futures exchange, into the deal.

While only about 1 per cent of the CME's volume is executed on Globex, screen-based trading is gaining momentum. Trading across time zones – Globex's original purpose – remains thin, but screens are becoming popular to prolong the derivatives trading day to match the hours of underlying domestic markets.

HK electricity utilities in test of wills

By John Ridding in Hong Kong

A dispute between Hong Kong's two electricity generators intensified yesterday when Hongkong Electric demanded that China Light & Power (CLP) defer plans for new facilities and rejected buying surplus electricity from its rival.

The strongly worded statement came amid signs from the government that it wants to discuss revisions to the regulations governing the industry, which link profits at the utilities to their capital investment.

It also comes after significant changes in the structure of the sector, raising the prospect of a tussle between some of its biggest groups.

Last month, Citic Pacific, the local arm of Beijing's flagship investment vehicle, took a 20 per cent stake in CLP while Mr Li Ka-shing, the territory's most powerful tycoon, reorganised his group to bring Hongkong Electric into its infrastructure division.

At the centre of the dispute lie CLP plans to build new generating units at its Black Point plant. Weakness in projected demand, partly resulting from the shift of manufacturing plants to China, has raised the prospect of excess supply.

Last year, the government asked CLP to defer the construction of the final units at the plant, but the utility has warned that this could cost up to HK$1.6bn (US$206m). The sale of electricity to Hongkong Electric has been touted as a possible solution.

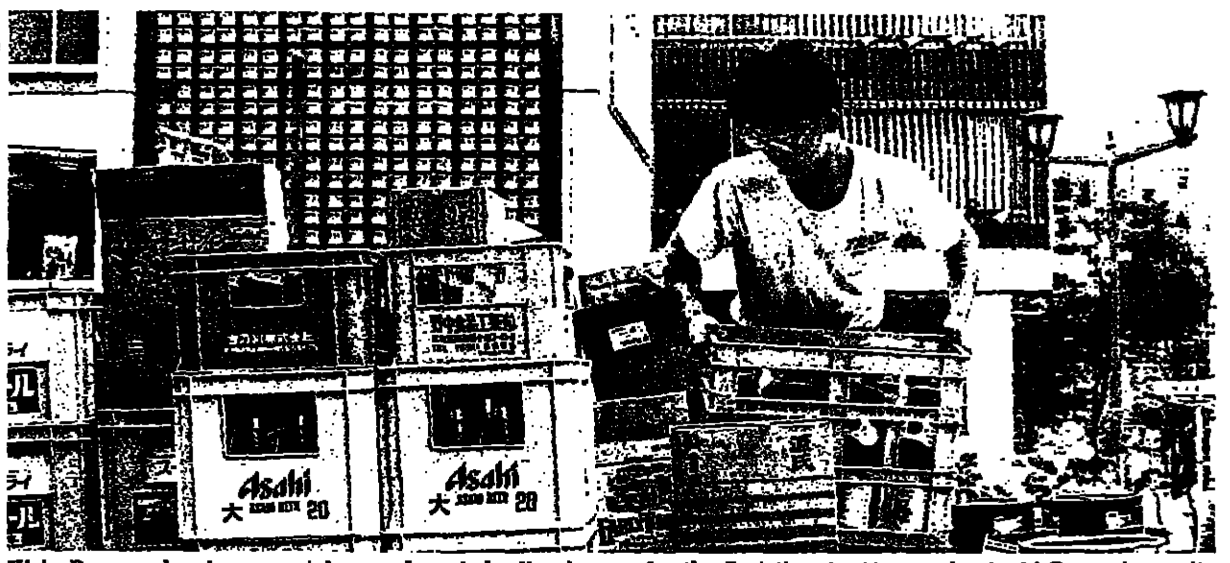
Hongkong Electric, which is also planning a new plant, said that CLP alone should bear the burden of the gap between its forecasts and actual demand.

"To insist on building additional plant despite an over-capacity situation is disregarding the public interest," it said.

Industry analysts said the tough stance partly reflected moves by the utilities to stake out their positions in a politically sensitive tussle.

"There is an element of sabre-rattling," said one analyst. "The real battle will be the scheme of control. With Citic Pacific now tied up with CLP, that raises the prospect of a high-stakes test of wills."

The government has signalled that it wants to use a review window at the end of this year to discuss the scheme of control. The scheme, which regulates the industry, was signed in 1993 and lasts until 2008. CLP said any changes would have to be agreed by all the parties concerned.



Kirin Brewery has been overtaken as Japan's leading brewer for the first time in 44 years by Asahi Breweries, writes Jonathan Annells in Tokyo. Asahi's beer shipments rose by 35 per cent to 10.3m cases in January, a market share of 37.9 per cent, while Kirin's dropped for the sixth month in a row, by 12 per cent to 9.9m cases, a 36.8 per cent market share.

While the move reflected Asahi's rising market share over the last two years, January's circumstances were extraordinary and did not necessarily imply Kirin would lose its first place on an annualised basis, analysts said. Kirin's market share was still 46.6 per cent in 1996, against Asahi's 30.4 per cent. Sapporo Breweries ranked third with a 17.1 per cent.

Nonetheless, it is clear that Kirin can no longer take its pre-eminence for granted. Asahi was third behind Sapporo 15 years ago, but has overtaken the Hokkaido-based brewer thanks to an aggressive marketing strategy focused most recently on its Super Dry brand, which accounts for 90 per cent of revenues. Shipments of Super Dry rose 42 per cent in January, the fifth consecutive month of double-digit growth. But Mr Shoichi Shibanuma, analyst at Merrill Lynch Japan, put a 35 per cent ceiling on the market share Asahi is likely to achieve by concentrating on a single brand.

Hypo-Bank to double managed funds

By Andrew Fisher in Frankfurt

Bayerische Hypotheken und Wechsel Bank, the German bank which recently increased its stake in UK-based Hypo Foreign & Colonial Management, aims to more than double its volume of funds under management in the next five years to around DM250bn, Mr Josef Wertschulte, a director of the bank, said.

He said Munich-based Hypo-Bank would not ignore opportunities to expand in this sector through acquisitions. But the price of asset management companies was currently too high. "In principle, however, we would add to our business if the right chance came along."

Hypo-Bank, which also has a marketing and product partnership with Massachusetts Financial Services, the US fund manager, currently manages around DM100bn of funds against DM40bn a year ago. Of this, some DM65bn is institutional money.

Around DM57bn of the assets managed by the Hypo-Bank group are from clients of Foreign & Colonial, whose figures are fully consolidated after the bank raised its holding from 50 per cent to 65 per cent. F&C last year added DM35bn to its business by acquiring ESN, which manages UK electricity pension funds.

Mr Wertschulte said an increase in assets under management to around DM250bn was "realistic". Like other leading German banks, Hypo-Bank has identified asset management as a steady growth business.

He was confident the German government would stimulate the market by changing the law to encourage Anglo-Saxon type pension funds. These suffer tax disadvantages over the German book reserve system, in which companies invest pension contributions in their own operations rather than having them independently managed and invested mostly in securities markets.

INTERNATIONAL NEWS DIGEST

Compart sells concrete offshoot

Compart, the financial holding company formed last year from Ferruzzi-Finanziaria, has sold off Calcestruzzi, its concrete-making company, to Italcementi of the Bergamo-based Pesenti group in a L500bn ($300m) deal. Calcestruzzi is the largest concrete producer in Italy with a turnover of L610bn, producing 6.5m cubic metres a year compared with the 2.3m of the Pesenti group. The combined production will be equivalent to 15 per cent of the Italian market. The anti-trust authorities have been informed, although they are unlikely to object.

The sale was one of the last planned asset divestments in the portfolio of Compart inherited from the 1993 collapse of the Ferruzzi family business empire. It brings total asset sales to L5,000bn in four years. Compart continues to hold 30 per cent of the valuable Montedison industrial group.

Calcestruzzi was restructured last year into two companies - one holding the concrete operations and a second, Calcemento, the cement business - with a view to accelerating the deal with Italcementi. Mr Giampiero Pesenti, Italcementi's owner, will pay about L155bn in cash and take on some L350bn of Calcestruzzi debt.

Robert Graham, Rome

Pannon GSM to issue bond

Hungarian mobile telecoms group Pannon GSM plans to make the country's largest corporate bond issue, with a face value of Ft24bn ($138m), on February 26. The bonds, with three, four and five-year maturities, will be index-linked to yield consumer price inflation plus 3 per cent. An oversubscription of up to Ft9bn will be accepted.

The issue marks several firsts for the domestic corporate paper market – the first for sale in open auction to institutional investors; the first inflation index-linked corporate bond; the first fully immobilised bond; and the first guaranteed by a cross-border institution, ING Bank Amsterdam. A consortium led by ING Barings Budapest will act as underwriters.

The bond is also seen as a precursor of change in the Hungarian debt market. When Pannon GSM took out a $175m refinancing loan last year, high interest rates and limited resources ruled out any possibility of forint financing, Tibor Rejto, Pannon CEO said. But by the end of 1996, with rates steadily falling and increased liquidity on the domestic market, corporate bond issues became a feasibility.

The establishment of pension funds in particular is expected to drive growth in corporate paper, according to Mr Ernst Kramer, Pannon financial director. "As the first such bond, we can take advantage and set the new rates that will become applicable for the market," he said.

Kester Eddy, Budapest

Alcan in Australian move

Alcan Aluminium may build a new bauxite mine in Australia to tap reserves it has owned for many years. The mine could be on stream by 2000 and would make Alcan self-sufficient in bauxite on a global basis, said Mr Jacques Bougie, president. It would help to reduce the company's overall raw material costs.

Alcan wants to settle a long dispute with the British Columbian government over its aborted Kitimat hydro-electric project, he said, and it still wants to expand its existing Kitimat smelter to supply expanding Asian markets. Bauxite is the base mineral for producing primary aluminium metal.

Robert Gibbens, Montreal

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey Natl Treasury Svs 6% Gtd Nts 2004 Ffr600
Airtours 12.75p
Anglian Group 3.6p
Anglian Water 10.2p
BES Overseas Series A FR N.C. Gtd NV Pf $0.49
Bulmer (HP) 4.9p
City Mortgage Receivables 1 Mort-bckd FRN Feb 2023 Series 1996 £51.12
City Mortgage Receivables 2 Mort-bckd FRN Oct 2023 Series 1996 £55.47
City Mortgage Receivables 3 Class A Mort-bckd FRN Oct 2023 £54.93
Do Class B Mort bckd FRN Oct 2023 £67.20
Colgate-Palmolive $0.47
Dixons Treasury 7¾% Gtd Bds 2004 £77.50
Druck Hldgs 0.54p
Electra Inv Tst 4.5p
Farepak 2.75p
Forminster 1.22p
Gates (UK) Ltd 5% (3.5% net) Cm Pf 3.5p
Do 5% (3.5% net) Cm 2nd Pf 3.5p
Halifax Bldg Scty 6.5% Bds 2004 £65
Itochu 9.5% Nts 1997 $4,750
Japan Dev Bank 8⅜% Gtd Nts 2001 $418.75
National Grid 4.45p
Peabody Donation Fund 10.25% Gtd Sec 2023 £5.125
SONAR 1 Class A Mort-bckd FRN 2021 £144.51
Do Class B Mort-bckd FRN 2021 £195.20
Do Class C Mort-bckd FRN 2021 £217.09
State Bank of New South Wales 7% Bds 2004 A$70.0
Sudwestdeutshe Landesbank Cap Mrkts 7⅛% DM Bearer Bds 1995/99 DM71.25
Toyobo FRN Feb 1998 Y19,590

■ TOMORROW
Bank of Scotland Sb FRN 2000 $48475.58
BOC 6¾% Bd 2004 £67.50
Bradford & Bingley Bldg Scty Cllrd FRN 2003 £35.41
Chester Asset Rcvbls No 3 Asset Bckd FRN 2003 £1339.01
Eksportfinans FRN 2003 $27.64
Granada 10% 1st Mtg Db 2018 £5.0
Halifax Bldg Scty Cllrd FRN 2003 £35.10
Mitsubishi Materials Dual Basis Nts 1998 Y335000.0
Nat West Var Rate Cap Nts 2008 $152.06
Nippon Credit Bank (Curacao) Gtd Fxd/FRN 2004 $3171.04
Sanwa Bank Canada Gtd Fxd/FRN 2005 $1583.33
Savills 1p
Schroder Asia Pacific Fd 0.2p
State Bank of New South Wales 9¼% Bd 2003 A$92.50
Do Ext FRN $305.16
Tex Hldgs 2p
Thomas Potts 0.0533p
Yrityspankki Skop Ser B Und Sb VRN $162.92

■ WEDNESDAY FEBRUARY 19
Archimedes Inv Tst 19p
FirstBus 1.8p
LAB Invs 7⅛% Sec Bd 2019 3.5625p
NT & T 6% Nts 1998 $300.0

■ THURSDAY FEBRUARY 20
Abtrust High Inc Tst 1.65p
Alliders 3.7p
Alvis 2p
Avco Tst Gtd FRN 1998 £164.82
Bank of Ireland Units Stlg Pf Ser A 4.5212p
Do Units IR£ Pf Ser A IR4.2973p
Caterpillar $0.40
Century Inns 4.5p
Invesco Recovery Tst 4p
Novo 0.5p
Royal Bank of Scotland 13.2p
Do FRN 2005 £81.82
Sage 1.76p
Stagecoach 3p
Tomkinsons 8p
Wagon Indl 7p
Wells Fargo $1.30

■ FRIDAY FEBRUARY 21
Allied Domecq 14.15p
Amberley 0.4p
Bespak 4.62p
British Land 2.92p
Burton 1.65p
Danisco 5% Cv Bd 2004 DKr50.0
Debenham Tewson & Chinnocks 0.9p
Exchequer 10½% 1997 £5.25
Gartmore Scotland Inv Tst 2.6p
Greenalls 9.18p
Hunters Armley 3p
Jersey Elec A 27p
Merchants Tst 3.25p
Murray Int Tst 3p
M & W 2.75p
Sime Darby M$0.16
Stanley Leisure 1.2p
Triplex Lloyd 2.5p
Turkey Tst 3.6p
UK Pass-Through Sec 5½% Sec Nts 2001 Ecu55.0
Uno 1.5p
Vega 1.91p

■ SATURDAY FEBRUARY 22
Coral Products 0.75p
NFC 7¾% Cv Bd 2007 £38.75
Trustco Fin 11½% Sev Db 2016 £5.75

■ SUNDAY FEBRUARY 23
Nationwide Bldg Scty 4¼% IL Ln 2024 £3.04995
Treasury 2½% IL 2011 £2.56

UK COMPANIES

■ TODAY
MEETINGS:
M&W, Posthouse Hotel, Herbert Walker Avenue, Southampton, 11.00
BOARD MEETINGS:
Finals:
Anglo & Overseas Tst
Low & Bonar
Trust of Property Shares
Updown Inv
Interims:
Allied Carpets
Regent Inns
Second Alliance Tst

■ TOMORROW
COMPANY MEETINGS:
Abtrust Emerging Economies Inv Tst, 99, Charterhouse Street, E.C., 12.30
French, Wythenshawe Hall, Wythenshawe Park, Manchester, 10.30
Hardys & Hansons, Kimberley Brewery, Nottingham, 11.30
Hill Samuel UK Emerging Cos Inv Tst, 204, Great Portland Street, W., 11.00
Intercare Group, Forte Posthouse Hotel, Clifton Village, Brighouse, W. Yorks, 11.00
INVESCO Recovery Tst, 11, Devonshire Squre, 12.00
LPA Industries, Eight Bells Public House, High Street, Saffron Walden, 12.00
BOARD MEETINGS:
Finals:
Barclays
Colt Telecom
Irish Permanent
Peptide Therapeutics
Sedwick
St Modwen Properties
Stadium
Interims:
Haggas (John)
Macro 4

■ WEDNESDAY FEBRUARY 19
COMPANY MEETINGS:
Hunters Armley Group, Queen's Hotel, City Square, Leeds, 11.30
NFC, Merchant Taylors' Hall, Threadneedle Street, E.C., 12.00
Sage Group, Sage House, Benton Park Road, Newcastle-Upon-Tyne, 11.00
BOARD MEETINGS:
Finals:
China Inv
Kleinwort Overseas
London Forfaiting
Medeva
Porvair
Rights & Issues Inv Tst
WPP Group

■ THURSDAY FEBRUARY 20
COMPANY MEETINGS:
Aberforth Smaller Cos Tst, 14, Melville Street, Edinburgh, 6.30
Recognition Systems, 55, Colmore Row, Birmingham, 2.00
Titon Hldgs, Int House, Peartree Road, Stanway, Colchester, Essex, 10.00
Throgmorton Preferred Inc Tst, Royal London House, 22/25, Finsbury Square, E.C, 12.00
BOARD MEETINGS:
Finals:
Baille Gifford Shin Nippon
Carisbrooke Shipping
City Site Estates
Easynet Group
Provident Financial
Rank Group
Interims:
Bolton (Intl)

■ FRIDAY FEBRUARY 21
COMPANY MEETINGS:
Bankers' Inv Tst, Drapers' Hall, Throgmorton Avenue, E.C., 12.00
Goldsborough Healthcare, Queens Hotel, City Square, Leeds, 11.30
Kunick, Park Lane Hotel, Piccadilly, W., 11.00
Second Consolidated Tst, Exchange House, Primrose Street, E.C., 12.30
Watson & Philip, Strathway House, Dundee Technology Park, Dundee, 12.30
BOARD MEETINGS:
Finals:
Grafton Group
Interims:
Allied Leisure
VDC

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent annoucements.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Philip Coggan

Where only the bold set foot

In 1993 it seemed that barely a week went by without a presentation on the superior economic growth rates and commitment to free market reforms in emerging markets.

The last three years have dented the story and may also have dented the case for emerging markets as anything like a useful catch-all story.

For example, the general impression is that emerging markets had a dull year in 1996, but that was not true of *fixed income*, which returned more than 30 per cent. And the long-term performance of emerging markets depends very much on which index is used.

From the start of 1990 to the end of last year, the Morgan Stanley emerging markets global index grew just 32.6 per cent in dollar terms, compared with an 109.6 per cent rise in the S&P 500. But Morgan Stanley's free index, which allows for restrictions on foreign investors, has actually outperformed the S&P, rising by 120.8 per cent over the same period.

The immediate lesson one can learn, if you are an emerging market fund manager, is to express your performance relative to the global, not the free, index.

More seriously, Mr Rian Dartnell, *who runs the GAM* Emerging Markets Multi-Fund, says the past few years have shown the dangers of the global approach, whereby investors spread portfolios across the full range of emerging markets, under- or over-weighting depending on their asset allocation views. Last year, the indices gained only 5-6 per cent but, he says, "people with a more dynamic approach have earned 25-30 per cent".

It always made more marketing than investment sense to lump together such diverse regions as south-east Asia, Latin America and eastern Europe. "They are not a uniform bunch of markets," says Mr Peter Chambers at HSBC James Capel. "They are all deregulating, *but they have different* economic cycles and different levels of savings."

For a time in 1993, fund managers followed the "Star Trek" philosophy: boldly investing where no person had gone before, and leaping on any country with the emerging market label. The Mexican devaluation crisis of December 1994 taught investors the need to differentiate between countries on the grounds of current account deficits, inflation rates and so on.

Stock-picking is also needed. The blithe assumption that rapid economic growth will lead to rapid corporate earnings increases can be undermined by different accounting standards and executives who may pay only lip service to the concept of shareholder value.

But if one is prepared to accept, if only in terms of simplicity of argument, that one can talk seriously about emerging markets, there is scope for a revival this year. Most countries are still pressing ahead with free market reforms or, at least, not trying to reverse or halt the process. Economic growth in Asia may have slowed but is still considerably faster than in the developed world, and Latin America is reviving after the Mexican trauma.

Liquidity is of course vital. The outperformance of Morgan Stanley's free index indicates that those stocks where international investors can place money are likely to shoot ahead, in the bull market phase, regardless *of their intrinsic merits.*

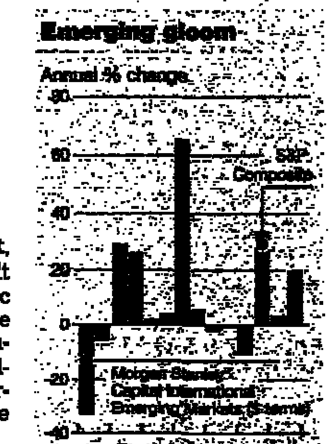
Fund flows were in emerging markets' favour in 1993, when the US market was performing sluggishly, and may be again so in 1997. The climb in the Dow Jones Industrial Average above 7,000 must surely persuade some US investors to take profits. If they look elsewhere, Japan appears moribund, and the UK and European markets are already *trading at all-time high.*

No doubt that is why the emerging markets have already started to perform strongly; Morgan Stanley's free index is up 10.8 per cent so far this year. Nevertheless, the index is still well below its 1994 peak.

But the passage of years means that valuations have become much more favourable. Mr Hugh Hunter of Baring Asset Management says that, at their peak, price-to-book ratios in emerging markets were at a 60 per cent premium to the MSCI world index; now they are at a 20 per cent discount. Emerging market price-to-cash ratios were twice those in the world index in February 1994; now they are at parity.

The pattern of the last few years seems to show that emerging markets tend to have the odd sensational year followed by some moribund ones. But once prices rise, the herd-like mentality of institutional investors, who track their peers, combined with the illiquidity of many markets, creates a virtuous cycle of higher prices and greater demand.

Emerging gloom



Source: Datastream

Total return in local currency to 13/02/97

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.10	0.01	0.06	0.06	0.14	0.12
Month	0.46	0.04	0.26	0.28	0.63	0.52
Year	5.31	0.52	3.39	4.31	10.06	6.38
Bonds 3-5 year						
Week	0.50	0.10	0.41	0.44	-0.02	0.55
Month	1.19	0.28	0.78	0.58	-0.22	1.70
Year	3.13	5.69	8.35	10.35	20.09	8.05
Bonds 7-10 year						
Week	0.87	0.11	1.07	0.94	-0.07	0.92
Month	1.66	0.54	2.15	4.88	0.22	2.36
Year	2.03	8.97	11.77	14.83	31.22	11.37
Equities						
Week	3.9	3.8	3.9	2.8	0.6	1.3
Month	6.8	0.5	9.2	10.9	9.4	5.1
Year	25.5	-12.5	32.7	38.0	26.7	19.4

Source: Cash & Bonds - Lehman Brothers. Equities © FT/S&P Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Rises set to lag sales at Japanese brewers

Kirin Brewery, Asahi Breweries and Sapporo Breweries of Japan are due on Thursday to announce 1996 results likely to show limited profit growth despite higher sales, analysts said.

While a rise in beer sales is expected to produce profit rises, Asahi and Sapporo may see limited growth because of higher costs.

Kirin is expected to be the only brewer among the three to see a downturn in earnings, mainly because of sluggish sales of its two leading brands, Ichiban-shibori and Lager. It is expected to report a parent pre-tax profit of Y52bn ($416m) on revenue *of Y1,330bn.* Kirin expects parent earnings to come in below its own forecast of Y65bn because of lower-than-expected beer sales volumes.

Group pre-tax profit is seen at around Y66bn on revenue of Y1,600bn. In 1995, the company reported a group pre-tax profit of Y88.9bn on revenue of Y1,630bn.

Kirin's heavier dependence on beer sales is likely to have hurt earnings at a time when the overall beer market did not grow much mainly because of a cool summer. At the same time, firm demand for hop drinks launched by Sapporo and Suntory, forced Kirin to boost advertising as a quick remedy, analysts said.

Hop-based drinks, which have less than 5 per cent alcohol content, are priced about 20 per cent lower than regular beer, taking advantage of lower excise taxes imposed on lower-alcohol beverages.

Asahi Breweries is expected to report a 1996 parent *pre-tax profit of* Y22bn-Y25bn on revenue of Y910bn-Y930bn, analysts said. In 1995, the parent pre-tax profit was Y21.7bn on revenue of Y870.5bn.

Group pre-tax profit is seen at Y33bn-Y38bn on revenue of Y1,170bn-Y1,205bn, compared with Y29bn and revenue of Y1,090bn in 1995.

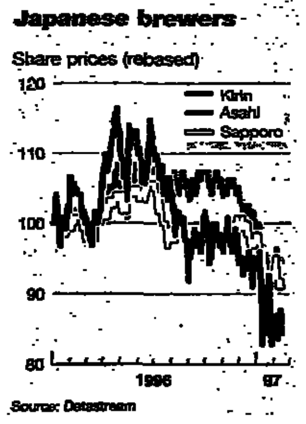
In the first half, Asahi enjoyed a modest year-on-year rise in parent pre-tax profit thanks to stronger growth of its Super Dry brand, but second-half sales growth slowed in line with overall weaker demand in the beer market, analysts said.

Sapporo is expected to report a 1996 parent pre-tax profit of Y14.5bn-Y18bn on revenue of Y620bn-Y640bn, compared with Y14.3bn and Y620.1bn in 1995.

Group pre-tax profit is seen at Y13.5bn-Y16bn on revenue of Y665bn-Y685bn.

AFX-Asia, Tokyo

Japanese brewers



Source: Datastream

■ **Scania**, the Swedish truckmaker, is expected to report tomorrow 1996 profit after financial items in the range of SKr2.42bn-SKr3.2bn ($414m), compared with SKr4.85bn a year earlier, according to analysts.

Following *disappointing* third-quarter results, analysts will be focusing on the fourth quarter for evidence that the changeover of production to the new 4-series model in Europe has been completed without further unexpected costs.

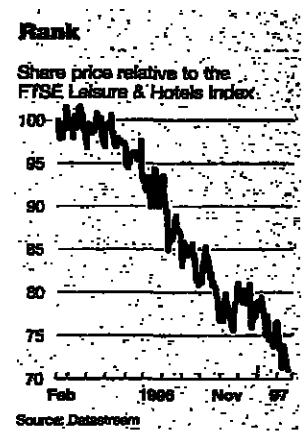
The *fourth quarter* will also give some indication of the kind of *margins Scania* is making on the 4-series trucks and on how the company is dealing with price competition and *falling* volumes in Europe.

The full-year results will also include a SKr300m cost for staff reductions.

Analysts said the company went out of its way to inform the market of bad developments, following strong criticism after the third-quarter results, when a fall caught many investors by surprise.

AFX-News, Stockholm

Rank



Source: Datastream

■ **Rank Group**, the UK leisure company, is expected on Thursday to unveil underlying pre-tax profits of between £295m and £305m in the year to December 31, compared with a pro forma £272m in 1995.

However the headline figure is expected to include a one-off £18m profit in the precision industries division.

Exceptional items will include £35m for restructuring costs and a £150m property write-down.

The market will hope to see evidence of an improved trading outlook in the leisure group's core businesses, which include Hard Rock cafés, bingo and Odeon cinemas. It will also hope to hear from Mr Andrew Teare, chief executive since April, of any new strategic plans.

■ **Analysts' forecasts** for full-year results from SmithKline Beecham, the drugs group, due out tomorrow are closely bunched around 38p earnings per share and £1.56bn in pre-tax profits. But the company retains a potential to surprise the market with better figures thanks, partly to a "good" influenza season in the US, which is likely to boost sales of its antibiotics, and strong demand for its anti-depressant Seroxat/Paxil.

■ When **Barclays Bank** reports tomorrow, the strongest growth is likely to have come from UK retail banking, with the Barclaycard credit card business continuing to generate high returns from its dominance of the market. Business banking pressed ahead steadily, while BZW, the investment bank, is likely to have been held back by internal upheavals and heavy investment costs. Overall, pre-tax profits are expected to have advanced to between £2.3bn and £2.4bn.

Earnings per share will have risen more strongly, thanks to last year's buy-backs, and many analysts expect the bank to buy in up to £600m more of its own shares.

INTERNATIONAL EQUITIES By Roula Khalaf

Play it again, in Casablanca

North Africa boasts two of the Arab world's most successful economic reform stories: Morocco and Tunisia. *Until recently, foreign* investors could cash in on only one of them, through Casablanca's emerging stock market. The smaller Tunis exchange kept foreigners at bay, through restrictions on share ownership and excessively high valuations.

Today, however, an explosion in retail investment in Morocco is pushing the Casablanca market to new highs, while Tunis is beginning to look more attractive.

At the end of last year, Tunisia raised the level of allowed foreign ownership of companies on the bourse from 10 per cent to 49 per cent and excessively high valuations are coming down.

The Casablanca bourse ($8.6bn in capitalisation) is up 15 per cent since the beginning of the year, following a 30 per cent rise in 1996. Mr Anas Alami, analyst at Upline Securities, a local stockbroker, says the rise is *not yet alarming because it* can partly be explained by better than expected company earnings in 1996.

In a year in which gross domestic product rose 11.5 per cent on the back of bountiful rainfall, Mr Alami estimates listed companies' earnings rose 28 per cent. The average price/earnings ratio on the bourse has reached 16.

But the rally is also the result of a huge rise in retail investment. According to London-based Framlington Maghreb Fund, total assets under management at Moroccan mutual funds jumped last year from 1.7bn dirhams ($182m) to 3.5bn dirhams, and listed companies stand at 46. "We are not selling Morocco yet, but we are slightly switching to Tunisia," says Mr Max Kamer, analyst at Framlington.

The problem in Casablanca is that the supply of new listings will remain lim*ited in the short-term, Pri*vate companies are beginning to raise money through initial public offerings and Morocco's second IPO, of Maroc Leasing, is being launched this week. But privatisation, which had steadily supplied the market with new issues, has been bogged down.

A dearth of new offerings is a well-known problem on the Tunis stock exchange ($3.95bn in capitalisation), where demand has been euphoric – debt and equity mutual funds have assets under management of $512m, according to local broker Tunisie Valeurs. But the privatisation process has been slow and only 30 shares are listed on the bourse.

After huge gains in 1994 and 1995, the market was down 10 per cent in 1996 and has lost a further 16 per cent since the beginning of this year. The drop is largely because of the introduction *of electronic trading*, which lent transparency to the market and complicated mutual funds' attempts to trade shares at artificially high prices.

The average p/e remains at a high 22, but analysts say selective stocks have reached attractive price levels. For example, Framlington's Mr Kamer cites Palm Beach Hotels, which has fallen 35 per cent in the past three months and now trades at a p/e of only 9.

Mr Angus Blair, head of Middle East and North Africa at ING Barings, expects the Tunis market to perform well this year. "But more needs to be done to show commitment to attract flows of funds," he says. "The provision of information on companies in Tunisia is still very poor."

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 14 1997								THURSDAY FEBRUARY 13 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	219.43	-1.1	200.69	172.27	192.36	190.54	2.6	3.99	221.28	202.26	174.37	194.09	191.73	224.61	188.44	200.32
Austria (24)	183.24	-3.5	167.59	143.86	160.63	160.56	5.6	1.82	182.85	167.12	144.08	160.37	160.30	195.04	174.70	184.42
Belgium (26)	230.17	1.1	210.51	180.70	201.77	197.43	10.7	3.26	228.69	209.94	180.99	201.46	197.23	233.47	203.64	210.34
Brazil (28)	234.65	23.7	214.61	184.22	205.70	453.17	24.9	1.34	235.66	215.39	185.70	206.69	454.85	235.66	147.48	166.69
Canada (114)	202.67	6.8	185.36	159.11	177.67	198.14	5.2	1.86	203.24	185.77	160.15	178.26	199.06	203.24	153.61	157.70
Denmark (32)	370.09	5.2	338.48	290.55	324.43	323.46	14.6	1.36	367.22	335.64	289.36	322.09	321.09	370.09	291.30	304.88
Finland (26)	261.05	6.3	238.76	204.95	228.85	273.88	15.3	1.82	261.31	238.84	205.91	229.19	273.51	262.79	174.47	183.39
France (91)	220.98	3.2	202.11	173.49	193.72	197.24	13.0	2.50	220.94	201.94	174.10	193.76	197.42	222.06	183.88	189.63
Germany (59)	195.08	2.7	178.42	153.16	171.02	171.02	12.3	1.45	194.13	177.44	152.97	170.27	170.27	195.08	164.47	170.54
Hong Kong (59)	481.01	-5.1	439.93	377.63	421.67	478.57	-5.0	3.25	486.00	444.21	382.96	426.27	483.50	514.49	402.59	441.70
Indonesia (27)	249.01	9.1	227.74	195.49	218.29	363.79	10.0	1.46	251.33	229.72	198.04	220.44	366.91	–	–	–
Ireland (16)	340.20	3.5	311.15	267.08	298.23	302.81	10.6	3.10	337.19	308.19	265.70	295.75	300.60	340.20	254.35	255.92
Italy (58)	91.89	10.1	84.05	72.14	80.56	114.06	20.3	1.84	92.72	84.75	73.06	81.32	114.98	95.32	70.61	75.56
Japan (480)	114.10	-11.6	104.35	89.58	100.02	89.58	-5.4	0.88	113.09	103.36	89.11	99.19	89.11	164.88	109.16	152.76
Malaysia (107)	645.16	7.0	590.06	506.50	565.56	617.20	.5.2	1.01	650.25	594.33	512.39	570.33	622.40	650.25	512.47	517.58
Mexico (27)	1397.81	14.6	1278.44	1097.40	1225.37	11890.90	13.3	0.93	1379.06	1260.48	1086.69	1209.57	11751.01	1397.81	1046.55	1143.25
Netherland (19)	342.06	1.8	312.85	268.55	299.86	295.43	11.3	2.50	340.59	311.30	268.38	298.73	294.19	342.06	274.35	283.23
New Zealand (14)	89.05	-3.0	81.45	69.91	78.06	68.06	-1.3	4.10	89.94	82.21	70.87	78.89	68.67	95.60	75.94	79.37
Norway (41)	313.39	6.0	286.63	246.04	274.73	284.57	11.1	1.84	311.10	284.35	245.14	272.87	281.35	319.57	233.17	233.88
Philippines (22)	207.97	2.1	190.21	163.27	182.31	273.04	2.3	0.83	208.68	190.74	164.44	183.04	274.01	–	–	–
Singapore (43)	448.01	6.7	409.75	351.73	392.74	292.76	8.2	0.94	444.38	406.17	350.17	389.77	290.53	460.80	371.28	447.96
South Africa (44)	359.72	13.0	329.00	282.41	315.34	347.24	6.7	2.36	360.74	329.72	284.26	316.40	347.99	422.74	301.49	419.21
Spain (35)	216.32	-1.6	197.85	169.83	189.64	233.93	8.0	2.88	214.38	195.95	168.93	188.03	232.07	228.16	161.86	167.47
Sweden (50)	431.84	2.4	394.96	339.03	378.56	470.66	10.4	1.95	430.10	393.12	338.92	377.24	471.72	482.49	312.42	315.34
Switzerland (35)	248.65	4.2	227.42	195.21	217.97	225.45	13.5	1.29	249.04	227.63	196.24	218.43	224.29	254.34	225.44	225.44
Thailand (45)	77.01	-19.6	70.43	60.46	67.51	77.99	-18.2	4.38	75.46	68.97	59.46	66.19	76.22	199.40	75.46	167.86
United Kingdom (210)	281.58	-0.6	257.54	221.07	246.85	257.54	5.0	3.71	280.85	256.70	221.31	246.34	256.70	283.17	224.39	232.31
USA (654)	328.70	8.9	300.63	258.06	288.15	328.70	8.9	1.81	329.89	301.52	259.95	289.35	329.89	329.89	254.79	268.95
Americas (823)	301.00	9.0	275.29	236.31	263.86	263.10	8.9	1.80	302.03	276.06	238.00	264.91	253.99	302.03	233.09	243.84
Europe (724)	243.95	1.8	223.12	191.52	213.86	224.37	9.7	2.62	243.41	222.48	191.81	213.50	223.79	244.53	201.66	208.40
Nordic (151)	376.33	3.7	344.20	295.45	329.91	356.41	11.8	1.83	374.74	342.52	295.29	328.68	355.95	376.43	276.30	279.79
Pacific Basin (873)	135.55	-8.8	123.97	106.42	118.83	105.16	-4.0	1.38	134.94	123.33	106.33	118.35	104.85	177.01	131.50	166.05
Euro-Pacific (1597)	180.72	-3.1	165.28	141.88	158.42	150.18	3.3	2.08	180.13	164.64	141.94	158.00	149.84	191.51	176.40	181.50
North America (768)	321.08	8.8	293.67	252.08	281.47	320.08	8.7	1.82	322.23	294.52	253.92	282.63	321.25	322.23	248.85	260.20
Europe Ex. UK (514)	218.40	3.2	199.75	171.46	191.46	201.81	12.6	2.00	217.97	199.23	171.76	191.18	201.38	219.12	181.80	189.22
Pacific Ex. Japan (393)	313.73	-0.5	286.94	246.30	275.03	273.13	0.4	2.71	315.97	288.80	248.98	277.13	274.93	320.65	288.97	286.96
World Ex. US (1810)	184.74	-2.1	168.96	145.03	161.95	158.38	3.7	2.06	184.21	168.37	145.16	161.57	156.09	199.47	177.71	189.28
World Ex. UK (2254)	225.85	3.2	206.56	177.31	197.98	200.72	8.2	1.75	225.97	206.54	178.06	198.20	200.95	225.97	199.58	206.84
World Ex. Japan (1984)	290.00	6.0	265.24	227.68	254.23	279.27	8.5	2.13	290.54	265.56	228.95	254.84	279.77	290.54	233.10	240.31
The World Index (2464)	230.62	2.9	210.93	181.06	202.17	205.93	6.1	1.94	230.67	210.84	181.77	202.32	206.08	230.67	202.32	209.12

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 122.27 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 14/2/97: Deletion: London Electricity (UK); Roussel Uclaf (France). Name change: Puget Sound Power & Light Co. to Puget Sound Energy Inc (USA). CONSTITUENT CHANGES WITH EFFECT 17/2/97: Addition: Centrica PLC (Medium-Small Cap Index) (UK); Name change British Gas to BG PLC (UK).

MARKETS: This Week

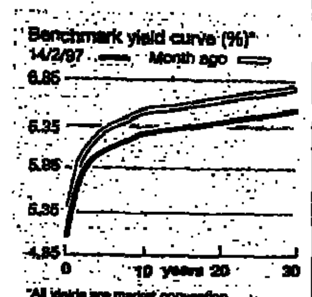
NEW YORK By Richard Tomkins

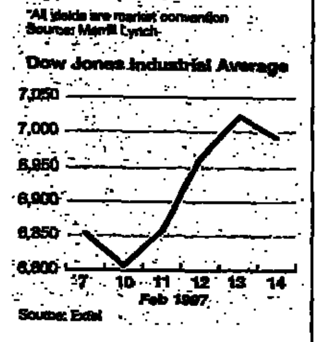
The bulls were on the rampage again in the US equity markets last week: on Thursday, the Dow Jones Industrial Average passed the 7,000 mark just four months after reaching 6,000, though it ended the week a touch below at 6,988.96.

Even this giddy rise was not enough to scare off the more optimistic analysts. Mr Ralph Acampora, chief technical analyst at Prudential Securities, said he believed the bull market had at least another year ahead of it. "Originally we expected the Dow to hit 7,000 by year-end 1998," he said. "Instead, we now think the DJIA will hit a high of 8,250 before the end of 1997."

Inevitably, however, some are questioning how much longer the euphoria can last. Ms Abby Joseph Cohen, long considered an optimist, was among those voicing notes of caution: she pointed out the similarity with last year's pattern, when a strong rise in the first few weeks was followed by a long period of choppy trading.

The upward movement in the markets continues to be driven by moderate to strong economic growth combined with low inflation, and analysts will be watching this week's economic data in the hope of seeing further benign inflationary readings.





The week's trading starts a day late because all US markets are closed today for Presidents' Day. The rest of the week, too, is a relatively quiet one for data, but Wednesday is expected to bring figures for consumer prices in January, with analysts expecting a rise of just 0.3 per cent, the same as in December. Thursday's figure for January housing starts is unlikely to cause any upsets unless it is significantly higher than 1.4m.

LONDON By Philip Coggan

Nothing seems able to upset the UK stock market at the moment and the FTSE 100 index chalked up all-time highs last week, despite some data which pointed to inflationary pressures.

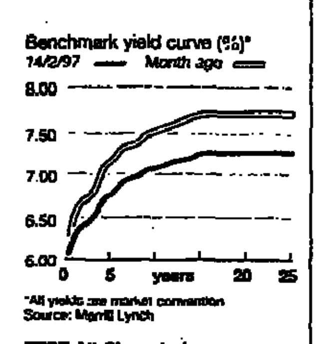
The market has decided that there is no way Mr Kenneth Clarke, the chancellor of the exchequer, will raise interest rates before the election. For the moment, few seem to be worrying about what happens after the polls, which are still expected not to occur until May 1.

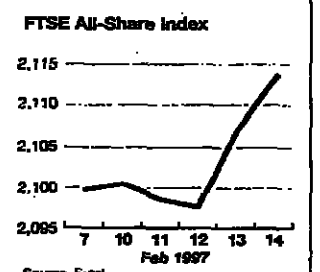
This week will provide further evidence of the health of the real economy, in particular the retail sales numbers for January, to be published on Wednesday. December's numbers showed a surprising 0.8 per cent decline.

"The overall tone of the anecdotal evidence has been one of continued expansion in sales, and we look for a reversal of the previous month's drop," says Mr Nigel Richardson, head of bond research at Yamaichi International (Europe).

Gilts took partial fright at last week's inflation numbers, but their recent strength is one of the main reasons why the equity market has been holding up so well.

Another reason, of course,





has been the strength of world markets, with the Dow Jones Industrial Average breaking through 7,000 last Thursday.

The results season is starting to build up a head of steam and this week sees figures from Barclays, BOC, Medeva, Rank, Sedgwick and SmithKline Beecham.

Analysts have been reducing their forecasts for many companies in recent weeks, largely in response to the continued strength of sterling.

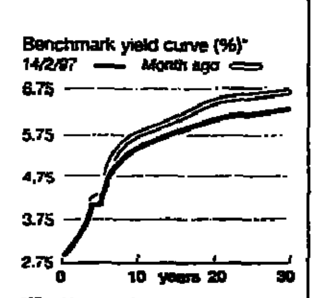
FRANKFURT By Andrew Fisher

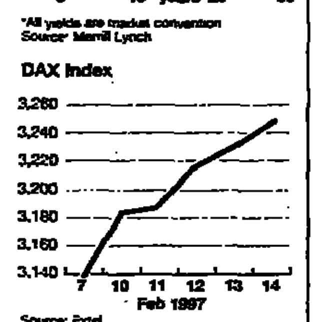
After a further record-breaking week for the German stock market – with the DAX blue chip index moving up to around 3,250 points – banks and brokers are busy revising their forecasts.

DIT, the investment fund arm of Dresdner Bank, is looking for 3,500 this year, with Mr Rolf Passow, its chairman, expressing confidence about European bourses as a whole. For the first time in many years, inflows into DIT funds in the first six weeks of 1997 were heavily in favour of equity funds.

This week brings preliminary results from some of Germany's biggest banks – Deutsche Bank, Dresdner Bank, Bayerische Vereinsbank and Bayerische Hypotheken und Wechsel Bank. While Deutsche's figures are likely to reflect compensation payments after irregularities at funds run by Deutsche Morgan Grenfell in London, others are expected to report a broadly positive trend.

Several key statistics are also due, notably January's money supply and the business sentiment index of the Ifo economic research institute. Economists expect the January Ifo index to show a further dip or be flat at best.





As for M3, this is likely to show a further easing of its annualised growth rate after last year's overshooting of the Bundesbank's target.

Thus Thursday's Bundesbank council meeting is again expected to bring no surprises, especially since the strong dollar has diminished pressure for a further easing in short-term interest rates.

At the long end of the market, analysts foresee a continued decline in 10-year Bund yields.

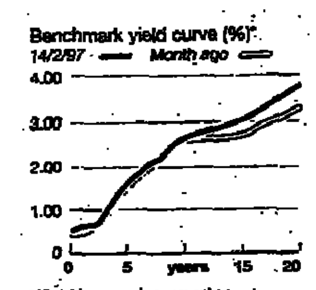
TOKYO By Jonathan Annells

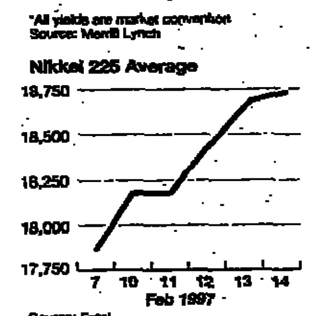
The yen will once again be the key to Japan's equity and bond markets, but on the domestic front, investors will also be watching the Bank of Japan and ministry of finance for any follow-up to last week's explicit political support for banks and bank debenture holders.

"Last week was a gift to stock investors, the market was propped up on political support," said Mr Jesper Koll at JP Morgan Securities Asia. On Monday, Mr Hiroshi Mitsuzuka's, the finance minister, expressed "firm support" for Japan's leading 20 commercial banks, and on Wednesday, Mr Taku Yamazaki, chairman of the ruling Liberal Democratic Party's Policy Research Council, suggested that public funds might be used to to protect holders of the long-term credit banks' debentures.

The Nikkei 225 Average rose more than 850 points over the week to 18,722.00. The dollar's indifference to the G7 finance ministers' attempts to cap it helped Japan's exporting giants, but some analysts believe the market may be more nervous this week.

They say the currency markets test the G7's resolve on reining in the dollar, which could result in a push to Y125 or even higher. An





even stronger dollar could well be negative for the stock market because it risks effective intervention from the Bank of Japan.

Bonds are expected to remain quiet. The yield on the benchmark 10-year Japanese government bond rose 1.0 basis points to 2.385 per cent last week, but in the run-up to the fiscal year-end, domestic investors have so far appeared under no pressure to repatriate foreign exchange earnings or take profits on bonds.

COMMODITIES By Maggie Urry

CAP on conference agenda

A two-day conference in London this week will examine the outlook for world agriculture.

The conference will focus on reform of the European Union's Common Agricultural Policy (CAP), new markets such as Asia and Latin America, and the prospects for a range of farm products.

On Wednesday, speeches from Mr Douglas Hogg, the UK agriculture minister, and Mr Guy Legras, head of the European Commission's agriculture directorate, are likely to set the agenda. The conference is being run by Agra Europe, the publishing and information group.

Reform of the European system of agricultural support is becoming more pressing as the deadline for renegotiation of the WTO agreements looms in 1999.

Pressure is also coming from the changes to US agricultural policy following the passage of the farm bill last year. And the prospect of enlargement of the EU is expected to put tremendous strains on the CAP.

While many believe change is inevitable, arguments rage over how to amend the system of support for European farmers. And there is concern that political inertia will mean postponement of change until a sudden derailment later.

Speakers will address the US farm bill, the next WTO negotiations and the potential of central and east Europe. There will also be presentations on the case for reforming CAP and for maintaining the status quo.

First to come under EU scrutiny will be the reform of the dairy, oilseed, and beef regimes, a prospect Mr Hogg is likely to consider.

Also of concern to European agriculture is the single currency. The likely effect of a shift from the cumbersome system of green rates will be considered by Mr Albert Dierick, chief economist of Rabobank.

On Thursday, attention switches to the outlook for dairy, beef, sheep, pig and poultry, sugar, oilseed, cereal, feedstuff, fruit and vegetables, and processed products.

OTHER MARKETS Compiled by William Cochrane

NORDIC

After an outstanding 1996, and continued outperformance in January of this year, Nordic stocks have slowed down a little this month.

The Nordic segment of the FT/S&P-Actuaries World Indices rose by 36.4 per cent in local terms last year and by 10.9 per cent in January, against gains of 20.3 and 8.8 per cent respectively in Europe as a whole.

However, while the Stockholm, Copenhagen, Oslo and Helsinki, were still registering fresh all time highs towards the end of last week, they had fallen slightly behind the rest of Europe during February.

Strategists say Nordic bourses are driven by outside influences. Export markets in Europe, where economic growth has been patchy, are very important to Sweden and Finland; Norway has been hit by a weak oil price; Denmark is dollar-heavy, and its shipping stocks have responded to the rise in the US currency.

The region is in the middle of its results season, and next week sees a slew of company announcements.

Today, Kemira, the Finnish chemical company, will be watched closely; there was a big privatisation placing late last summer. Tomorrow brings Scania from Stockholm; the truckmaker faces a slowdown in order intake, having been sold by the investor group last year.

International interest will focus on Wednesday's progress reports from Sweden's Astra and Volvo, in pharmaceuticals and the automotive sector. On Wednesday and Thursday, the forestry sector's long-term recovery hopes will be vested in Modo, and Assi-Domain.

HONG KONG

Hong Kong stock prices are expected to drift lower this week as investors shift funds to other Asian markets which have underperformed in recent months, *writes Louise Lucas.*

The asset reallocation has already taken the steam out of the market, with the benchmark Hang Seng Index losing 4 per cent over the course of last week.

Some brokers attribute the fall to a temporary consolidation, and say the index is still on track to hit new highs in the run up to July, when China resumes sovereignty over Hong Kong.

Resistance was hit at 14,000, after a run of record highs were notched up, prompting funds to flow to different markets in the region.

Conglomerates have suffered in the recent sell-off, and banking stocks are likely to remain in focus ahead of their results season.

ZURICH

Full-year figures are due from UBS on Friday, but they will be academic in view of the SFr3bn charge the bank announced last November to clean up its loan portfolio.

Mr Ian McEwen at Lehman Bros forecasts pro-forma net income of SFr1.85bn for 1996, up from SFr1.67bn in 1995, but after provisions and tax, he says the bank is likely to post a net loss of SFr500m.

WELLINGTON

New Zealand's equity market has been disappointing in recent weeks, with the NZ-40 Capital Index losing nearly 6 per cent between January 20 and the middle of last week.

In parallel with this general downturn, concern about the profits of one market leader, Telecom New Zealand, has seen its share price lose more than eight per cent in a four-week period, but analysts last week were saying the market was being short-sighted.

True, they said, Telecom NZ is expected to post flat third-quarter profits tomorrow, but this should include substantial losses at Pacific Star, the company's Australian subsidiary, which Telecom is in the process of selling.

CURRENCIES By Richard Adams

Dollar and D-Mark wait for inflation figures

The US dollar's performance will be under scrutiny again this week, with important inflation data due, while in Europe the German economy will be in the spotlight.

The market will be watching Wednesday's US consumer price index for January, for signs that it *continues to enjoy* a "Goldilocks" economy – not too hot, not too cold, but just right.

That feeling was reinforced last Friday, with the news that US producer price inflation fell by 0.3 per cent in January.

This week's headline CPI figure is forecast to be similar to December's 0.3 per cent rise. But MMS International says a median forecast of 0.2 per cent is predicted for the core CPI figure, which excludes food and energy prices.

The dollar continues to look bullish, unless action is finally taken by central banks on behalf of the Group of Seven industrialised nations.

Three key German economic indicators are due this week. Today sees the release of final January cost of living figures, which analysts expect to rise from December's 1.4 per cent year-on-year increase. The Bundesbank's favoured indicator, M3 money supply, is expected to be released at the end of the week.

The most important German indicator is the Ifo business sentiment survey, expected out on Thursday. Several analysts say a small rise is business confidence is expected, but anything larger could help breath life back into the D-Mark.

Sterling may be on the retreat if the UK retail sales figures and an industrial trade survey for January show consumer and business demand to be flat or falling.

Italy also has inflation releases, with the 11 cities' indices for February due towards the end of the week. A further fall in inflation will again bring speculation about a cut in Italian interest rates, which may harm the lira.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Hoechst (Germany)	Roussel Uclaf (France)	Pharmaceuticals	$3.2bn	Buying out minority
Veba (Germany)	Vebacom (Germany/UK)	Telecoms	$1.3bn	C&W partnership dissolving
Mesa (US)	Unit of WMC (Australia)	Oil & gas	$270.5m	Disposals proceed
Glencore (Switz)	Asturiana de Zinc (Spain)	Metals	$78.4m	Banesto sells further stake
Medway (UK)	Hansa Re (US)	Insurance	$54m	Trygg-Hansa disposal
Eagle Star (UK)	Irish National Insurance (Ireland)	Insurance	$47m	Buying market share
GE Capital (US)	Loscam (Australia)	Plant hire	$41m	Offer welcomed
Hogg Robinson (UK)/ EDS (US)	Paymaster (UK)	Payment systems	$37m	UK Govt sale
Geoworks (US)	Eden Group (UK)	Computer services	$30m	"Smart" buy
Cadbury (UK)	Bim Bim (Egypt)	Food	n/a	Springboard for growth

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, February 14, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7699.75	4750.00	2816.88	3824.48
Albania	(Lek)	203.841	125.750	74.5780	101.248
Algeria	(Dinar)	93.1980	57.4929	34.0961	46.2906
Andorra	(French Fr)	9.2235	5.6900	3.3745	4.5813
	(Sp Peseta)	231.390	142.745	84.6548	114.932
Angola	(Readj Kwanza)(1)	341220.6	210500.0	124836.9	169484.7
Antigua	(E Carib $)	4.3767	2.7000	1.6012	2.1739
Argentina	(Peso)	1.6199	0.9993	0.5926	0.8046
Armenia	(Dram)	749.421o	462.320	274.178	372.228
Aruba	(Florin)	2.9016	1.7900	1.0618	1.4412
Australia	(Aus $)	2.1164	1.3056	0.7743	1.0512
Austria	(Schilling)	19.2358	11.8667	7.0375	9.5545
Azerbaijan	(Manat)	6613.68o	4080.00	2419.64	3285.02
Azores	(Port Escudo)	274.938	169.610	100.587	136.582
Bahamas	(Bahama $)	1.6210	1	0.5930	0.8052
Bahrain	(Dinar)	0.6111	0.3770	0.2236	0.3035
Balearic Is	(Sp Peseta)	231.390	142.745	84.6548	114.932
Bangladesh	(Taka)	69.2978	42.7500	25.3529	34.4203
Barbados	(Barb $)	3.2603	2.0113	1.1928	1.6194
Belarus	(Rouble)	47415.1o	29250.6	17347.0	23551.1
Belgium	(Belg Fr)	56.3833	34.7830	20.6280	28.0056
Belize	(B $)	3.2420	2.0000	1.1861	1.6103
Benin	(CFA Fr)	922.350	569.000	337.445	458.132
Bermuda	(Bermudian $)	1.6210	1	0.5930	0.8052
Bhutan	(Ngultrum)	58.2215	35.9170	21.3006	28.9187
Bolivia	(Boliviano)	8.4616	5.2200	3.0957	4.2029
Botswana	(Pula)	5.7270	3.5329	2.0952	2.8446
Brazil	(Real)	1.7007	1.0492	0.6222	0.8447
Brunei	(Brunei $)	2.2986	1.4180	0.8409	1.1417
Bulgaria	(Lev)	4603.64	2840.00	1684.26	2286.63
Burkino Faso	(CFA Fr)	922.350	569.000	337.445	458.132
Burma	(Kyat)	10.0941	6.2271	3.6930	5.0138
Burundi	(Burundi Fr)	391.693	241.637	143.303	194.554
Cambodia	(Riel)	3728.30	2300.00	1364.01	1851.85
Cameroon	(CFA Fr)	922.350	569.000	337.445	458.132
Canada	(Canadian $)	2.1885	1.3501	0.8006	1.0870
Canary Is	(Sp Peseta)	231.390	142.745	84.6548	114.932
Cp. Verde	(CV Escudo)	134.484	82.9700	49.2053	66.8036
Cayman Is	(CI $)	1.3425	0.8282	0.4912	0.6669
Cent. Afr. Rep	(CFA Fr)	922.350	569.000	337.445	458.132
Chad	(CFA Fr)	922.350	569.000	337.445	458.132
Chile	(Chilean Peso)	674.093	415.850	246.620	334.823
China	(Yuan)	13.4422	8.2925	4.9179	6.6767
Colombia	(Col Peso)	1743.47	1075.55	637.854	865.982
Comoros	(Fr)	690.699	418.825	248.095	338.104
Congo	(CFA Fr)	922.350	569.000	337.445	458.132
Costa Rica	(Colon)	360.900	222.640	132.037	179.259
Côte d'Ivoire	(CFA Fr)	922.350	569.000	337.445	458.132
Croatia	(Kuna)	8.7158	5.3935	3.5545	4.8258
Cuba	(Cuban Peso)(4)	30.7990	19.0000	11.2679	15.2979
Cyprus	(Cyprus £)	0.8177	0.5045	0.2992	0.4062
Czech Rep.	(Koruna)	45.7884	28.2470	16.7518	22.7432
Denmark	(Danish Krone)	10.4189	6.4262	3.8111	5.1741
Djibouti Rep	(Djib Fr)	259.360	160.000	94.8879	128.825
Dominica	(E Carib $)	4.3767	2.7000	1.6012	2.1739
Dominican Rep	(D Peso)	22.8318	14.0850	8.3531	11.3406
Ecuador	(Sucre)	5841.78o	3605.50	2173.82	2951.29
	(Sucre)	6022.02a	3715.00	2203.16	2991.14
Egypt	(Egyptian £)	5.4997	3.3928	2.0121	2.7317
El Salvador	(Colon)	14.1919	8.7550	5.1922	7.0491
Equat'l Guinea	(CFA Fr)	922.350	569.000	337.445	458.132
Estonia	(Kroon)	21.8720	13.4929	8.0020	10.8636
Ethiopia	(Ethiopian Birr)	10.1005	6.2310	3.6953	5.0169
Falkland Is	(Falk £)	1	0.6169	0.3659	0.4967
Faroe Is	(Danish Krone)	10.4189	6.4262	3.8111	5.1741
Fiji Is	(Fiji $)	2.3026	1.4205	0.8424	1.1437
Finland	(Markka)	8.1035	4.9991	2.9647	4.0250
France	(Fr)	9.2235	5.6900	3.3745	4.5813
Fr. Cty/Africa	(CFA Fr)	922.350	569.000	337.445	458.132
Fr. Guiana	(Local Fr)	9.2235	5.6900	3.3745	4.5813
Fr. Pacific Is	(CFP Fr)	165.016	101.798	60.3718	81.9638
Gabon	(CFA Fr)	922.350	569.000	337.445	458.132
Gambia	(Dalasi)	16.0374	9.8935	5.8673	7.9658
Germany	(D-Mark)	2.7334	1.6862	1	1.3576
Ghana	(Cedi)	2869.17	1770.00	1049.70	1425.12
Gibraltar	(Gib £)	1	0.6169	0.3658	0.4967
Greece	(Drachma)	427.460	263.720	156.399	212.335
Greenland	(Danish Krone)	10.4189	6.4262	3.8111	5.1741
Grenada	(E Carib $)	4.3767	2.7000	1.6012	2.1739
Guadeloupe	(Local Fr)	9.2235	5.6900	3.3745	4.5813
Guam	(US $)	1.6210	1	0.5930	0.8052
Guatemala	(Quetzal)	9.9249	6.1227	3.6311	4.9297
Guinea	(Fr)	1621.00	1000.00	593.050	805.153
Guinea-Bissau	(Peso)	55477.1	34224.0	20296.5	27555.6
Guyana	(Guyanese $)	227.426	140.300	83.2048	112.963
Haiti	(Gourde)	26.3735	16.2699	9.6489	13.0998
Honduras	(Lempira)	20.6840	12.7600	7.5673	10.2738
Hong Kong	(HK $)	12.5620	7.7495	4.5958	6.2396
Hungary	(Forint)	282.370	174.195	103.306	140.254
Iceland	(Icelandic Krona)	114.787	70.8000	41.9879	57.0048
India	(Indian Rupee)	58.2215	35.9170	21.3006	28.9187
Indonesia	(Rupiah)	3860.41	2381.50	1412.35	1917.47
Iran	(Rial)	4863.00u	3000.00	1779.15	2415.46
Iraq	(Iraqi Dinar)	0.5040o	0.3109	0.1844	0.2503
Iraq	(Iraqi Dinar)	2917.80m	1800.00	1067.49	1449.28
Irish Rep	(Punt)	1.0240	0.6317	0.3746	0.5086
Israel	(Shekel)	5.4182	3.3426	1.9823	2.6912
Italy	(Lira)	2694.10	1662.00	985.648	1338.16
Jamaica	(Jamaican $)	55.1140	34.0000	20.1637	27.3752
Japan	(Yen)	201.328	124.200	73.6567	100
Jordan	(Jordanian Dinar)	1.1505	0.7098	0.4209	0.5715
Kazakhstan	(Tenge)	122.499	75.5700	44.8168	60.8454
Kenya	(Kenya Shilling)	88.9443	54.8700	32.5406	44.1788
Kiribati	(Australian $)	2.1164	1.3056	0.7743	1.0512
Korea North	(Won)	3.4852	2.1500	1.2751	1.7311
Korea South	(Won)	1418.62	875.150	519.007	704.630
Kuwait	(Kuwaiti Dinar)	0.4915	0.3032	0.1798	0.2441
Laos	(New Kip)	1491.32	920.000	545.606	740.741
Latvia	(Lats)	0.9442	0.5825	0.3454	0.4690
Lebanon	(Lebanese £)	2510.93	1549.00	918.634	1247.18
Lesotho	(Maluti)	7.1592	4.4165	2.6192	3.5560
Liberia	(Liberian $)	1.6210	1	0.5930	0.8052
Libya	(Libyan Dinar)	0.5763	0.3555	0.2108	0.2862
Liechtenstein	(Swiss Fr)	2.3706	1.4625	0.8673	1.1775
Lithuania	(Litas)	6.4840	4.0000	2.3722	3.2206
Luxembourg	(Lux Fr)	56.3833	34.7830	20.6280	28.0056
Macao	(Pataca)	12.9756	8.0047	4.7472	6.4450
Macedonia	(Denar)	71.3432	44.0118	26.1012	35.4362
Madagascar	(MG Fr)	7456.60	4600.00	2728.03	3703.70
Madeira	(Port Escudo)	274.938	169.610	100.587	136.582
Malawi	(Kwacha)	24.6392	15.2000	9.0144	12.2383
Malaysia	(Ringgit)	4.0266	2.4840	1.4731	2.0000
Maldive Is	(Rufiya)	19.0792	11.7700	6.9802	9.4767
Mali Rep	(CFA Fr)	922.350	569.000	337.445	458.132
Malta	(Maltese Lira)	0.6215	0.3834	0.2274	0.3087
Martinique	(Local Fr)	9.2235	5.6900	3.3745	4.5813
Mauritania	(Ouguiya)	230.336	142.095	84.2694	114.408
Mauritius	(Maur Rupee)	32.6064	20.1150	11.9292	16.1957
Mexico	(Mexican Peso)	12.6122	7.7805	4.6142	6.2645
Miquelon	(Local Fr)	9.2235	5.6900	3.3745	4.5813
Moldova	(Leu)	7.5863	4.6800	2.7755	3.7681
Monaco	(French Fr)	9.2235	5.6900	3.3745	4.5813
Mongolia	(Tugrik)	758.472	466.870	276.758	375.741
Montserrat	(E Carib $)	4.3767	2.7000	1.6012	2.1739
Morocco	(Dirham)	15.1429	9.3417	5.5401	7.5215
Mozambique	(Metical)	18097.9	11158.5	6617.54	8984.30
Namibia	(S A Rand)	7.1592	4.4165	2.6192	3.5560
Nauru Is	(Australian $)	2.1164	1.3056	0.7743	1.0512
Nepal	(Nepalese Rupee)	92.3180	56.9500	33.7742	45.8535
Netherlands	(Guilder)	3.0674	1.8923	1.1222	1.5236
N'nd Antilles	(A/Guilder)	2.9016	1.7900	1.0616	1.4412
New Zealand	(NZ $)	2.3333	1.4394	0.8536	1.1589
Nicaragua	(Gold Cordoba)	14.5080	8.9500	5.3078	7.2061
Niger Rep	(CFA Fr)	922.350	569.000	337.445	458.132
Nigeria	(Naira)	35.6620o	22.0000	13.0471	17.7134
	(Naira)	130.329m	80.4000	47.6812	64.7343
Norway	(Nor. Krone)	10.8444	6.6899	3.9674	5.3864
Oman	(Rial Omani)	0.6241	0.3850	0.2283	0.3100
Pakistan	(Pak. Rupee)(3)	64.9695	40.0799	23.7694	32.2705
Panama	(Balboa)	1.6210	1	0.5930	0.8052
Papua New Guinea	(Kina)	2.2328	1.3774	0.8169	1.1090
Paraguay	(Guarani)	3436.52	2120.00	1257.26	1705.92
Peru	(New Sol)	4.2673	2.6325	1.5612	2.1196
Philippines	(Peso)	42.7053	26.3450	15.6239	21.2118
Pitcairn Is	(£ Sterling)	1	0.6169	0.3659	0.4967
	(NZ $)	2.3333	1.4394	0.8536	1.1589
Poland	(Zloty)	4.9092	3.0285	1.7961	2.4384
Portugal	(Escudo)	274.938	169.610	100.587	136.582
Puerto Rico	(US $)	1.6210	1	0.5930	0.8052
Qatar	(Riyal)	5.9013	3.6405	2.1590	2.9312
Reunion Is. de la	(F/Fr)	9.2235	5.6900	3.3745	4.5813
Romania	(Leu)	11752.3	7250.00	4299.61	5837.36
Russia	(Rouble)	9163.51m	5653.00	3352.51	4551.53
Rwanda	(Fr)	488.244	301.199	178.626	242.511
St Christopher	(E Carib $)	4.3767	2.7000	1.6012	2.1739
St Helena	(£)	1	0.6169	0.3659	0.4967
St Lucia	(E Carib $)	4.3767	2.7000	1.6012	2.1739
St Pierre	(French Fr)	9.2235	5.6900	3.3745	4.5813
St Vincent	(E Carib $)	4.3767	2.7000	1.6012	2.1739
San Marino	(Italian Lira)	2694.10	1662.00	985.648	1338.16
Sao Tome	(Dobra)	3865.30	2385.13	1414.50	1920.39
Saudi Arabia	(Riyal)	6.0795	3.7505	2.2242	3.0197
Senegal	(CFA Fr)	922.350	569.000	337.445	458.132
Seychelles	(Rupee)	8.1212	5.0100	2.9712	4.0338
Sierra Leone	(Leone)	1215.75	750.000	444.787	603.865
Singapore	($)	2.2986	1.4180	0.8409	1.1417
Slovakia	(Koruna)	53.5741	33.0500	19.6003	26.6103
Slovenia	(Tolar)	248.737	153.447	91.0014	123.548
Solomon Is	($)	5.8840	3.6299	2.1527	2.9226
Somali Rep	(Shilling)	4247.02	2620.00	1553.79	2109.50
South Africa	(Rand)	7.1592	4.4165	2.6192	3.5560
Spain	(Peseta)	231.390	142.745	84.6548	114.932
Spanish Ports in N Africa	(Sp Peseta)	231.390	142.745	84.6548	114.932
Sri Lanka	(Rupee)	93.5804	57.7300	34.2367	46.4815
Sudan Rep	(Dinar)	237.477	146.500	86.8818	117.955
Surinam	(Guilder)	664.610	410.000	243.150	330.113
Swaziland	(Lilangeni)	7.1592	4.4165	2.6192	3.5560
Sweden	(Krona)	11.9347	7.3626	4.3664	5.9280
Switzerland	(Fr)	2.3706	1.4625	0.8673	1.1775
Syria	(£)	67.1256	41.4100	24.5582	33.3414
Taiwan	($)	44.6424	27.5400	16.3326	22.1739
Tanzania	(Shilling)	973.411	600.500	356.126	483.494
Thailand	(Baht)	42.3000	26.0950	15.4756	21.0105
Togo Rep	(CFA Fr)	922.350	569.000	337.445	458.132
Tonga Is	(Pa'anga)	2.1164	1.3056	0.7743	1.0512
Trinidad/Tobago	($)	10.0182	6.1790	3.6645	4.9750
Tunisia	(Dinar)	1.7337	1.0695	0.6343	0.8611
Turkey	(Lira)	195646.8	120695.0	71578.1	97177.9
Turks & Caicos	(US $)	1.6210	1	0.5930	0.8052
Tuvalu	(Australian $)	2.1164	1.3056	0.7743	1.0512
Uganda	(New Shilling)	1661.53	1025.00	607.878	825.282
Ukraine	(Hryvnia)	2.8632	1.7663	1.0475	1.4221
U A E	(Dirham)	5.9523	3.6720	2.1777	2.9565
United Kingdom	(£)	1	0.6169	0.3659	0.4967
United States	(US $)	1.6210	1	0.5930	0.8052
Uruguay	(Peso Uruguayo)	14.3702	8.8650	5.2574	7.1377
Vanuatu	(Vatu)	184.851	114.036	67.6284	91.8156
Vatican	(Lira)	2694.10	1662.00	985.648	1338.16
Venezuela	(Bolivar)(2)	765.639v	472.325	280.112	380.294
Vietnam	(Dong)	18121.2	11179.0	6629.70	9000.81
Virgin Is-British	(US $)	1.6210	1	0.5930	0.8052
Virgin Is-US	(US $)	1.6210	1	0.5930	0.8052
Western Samoa	(Tala)	4.0384	2.4913	1.4775	2.0059
Yemen (Rep of)	(Rial)	210.730r	130.000	77.0964	104.670
Yugoslavia	(New Dinar)	8.7917	5.4236	3.2165	4.3668
Zaire Rep	(Zaire)	236557.4	145933.0	86545.5	117496.4
Zambia	(Kwacha)	2099.20	1295.00	767.999	1042.67
Zimbabwe	($)	17.8999	11.0425	6.5487	8.8909
ECU	(ECU)	1.4088	0.8677	0.5146	0.6986
SDR	(SDR)	1.18195	0.724234	0.430426	0.582649

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Angolan Readjusted Kwanza devalued on 4/3/96. (2) Two tier rate replaced by floating Venezuelan Bolivar 22/4/96 (3) Pakistan Rupee devalued by 7.86pc against US dollar 22/10/96 (4) Market rate now shown for Cuba; FT enquiries to Business Research Centre 0171 873 4829. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
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Friday, February 14, 1997

MARKETS: This Week

EMERGING MARKETS By Matthew Kaminski

Funds take fresh look at Kiev

The unlucky fund managers who missed out on Russia's genesis as an emerging market several years ago might be well advised that Ukraine could be the next – and possibly last – great east European investor frontier.

Long written off as unstable and hopeless, the second largest ex-USSR state was ignored. That has changed.

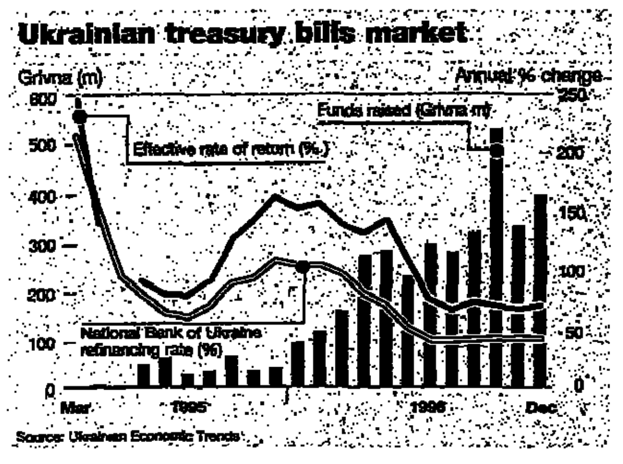
Several months of manageable inflation and a sound currency have boosted confidence in the economy, and attracted the high-risk global capital that keeps chasing the illusive margins.

"Ukraine suffers from a terrible public perception," argues Mr Andrew Leasor, who put together a $50m Ukrainian Growth Fund for the Hong Kong-based Regent Pacific Group, one of the biggest portfolio investors in Russia. "In our view, it's one of the most interesting emerging markets. It's like Russia in 1993."

Domestic treasury bills are the obvious and easiest buy for investors. First launched in earnest last year, the government debt market took off in the autumn (see table) on the strength of western capital inflows.

The central bank estimates that western institutions accounted for up to 540m hryvnia ($300m) of the 1.78bn hryvnia in outstanding debt sold last year – most of it in the last four months of the year when the effective rate of return was well above 50 per cent.

Ukrainian treasury bills market



Source: Ukrainian Economic Trends

As yields on three-month and six-month paper dipped below 40 per cent this month, the inflows slowed, but one banker says Kiev remains "very much the flavour of the month".

Treasury bills are a good way to get exposure in Ukraine, yet the market can only absorb limited amounts and falling yields quickly make them less attractive.

Mr David Boren, head of emerging markets research at Salomon Brothers in London, says investors can be capricious: "People won't stay tuned in if there's nothing more they can buy."

Banks and funds are searching for other opportunities. It emerged last week that Ukraine is seeking buyers for some of the $300m in rescheduled debt due in March. Several German banks are said to be involved.

The appearance on the secondary market of the $1.4bn in Gazprom bonds that Ukraine issued to cover its debt to the Russian gas monopoly in 1995 is also eagerly awaited, as is Ukraine's first eurobond issue, expected this year. "It'll take a eurobond to snap investors' attention back on Ukraine," Mr Boren said.

The wait for an equities boom could be longer. As Russia's stock market grows at astonishing rates – up nearly 50 per cent this year – Ukraine's has hardly got started.

Stock brokers are putting their faith on the government's promise, though repeatedly broken, that the better companies will be sold within the next year, when the mass privatisation programme is meant to end.

Mr Tomas Fiala, Kiev director for Prague-based brokers Wood & Co, said some undervalued assets can be acquired with special vouchers: this month's auction, for example, includes small stakes in the Khartisk Pipe Rolling Factory and the third largest oil refinery.

But Ukraine's privatisation was not designed with investors in mind. Vouchers, which were tradable in Russia, are hard to acquire and use. The slow pace of Ukrainian privatisation has stunted the growth of the equities market.

Total market capitalisation stands roughly at $10bn –$15bn and weekly volumes, with most trades done outside official exchanges, approaching $10m, estimates Mr Dmitro Sapunov, director of Komeks-Brok, a Kiev brokerage. "But that's like putting your finger in the wind," he cautioned.

"The sweetest assets have not been privatised – for instance, the energy utilities such as Kiev Energo which are not even in the queue for sale." Mr Sapunov added. "The market is small. Any sizeable foreign interest would move the market up or down very quickly, but clearly there are cheap assets out there."

The concerns underlying investment decisions in Ukraine are far more prosaic: can an economy that shrunk 10 per cent last year improve and can stability that held inflation below 40 per cent last year hold.

With memories of a spiralling Ukrainian currency quite fresh, investors are anxiously awaiting the IMF's seal of approval. The best bet now is for a deal by April.

Until then, Ukraine will remain a market best avoided by the faint-hearted.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	14/02/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (449)	177.86	+3.87	+2.22	+11.05	+6.63	+17.74	+11.08
Latin America							
Argentina (22)	120.06	+4.23	+3.65	+6.08	+5.34	+12.93	+12.07
Brazil (24)	326.02	+21.08	+6.91	+51.45	+18.74	+64.99	+24.90
Chile (16)	193.08	+8.33	+4.51	+16.39	+9.27	+30.63	+18.86
Colombia (13)	207.18	−1.68	−0.80	+2.58	+1.26	+33.49	+19.28
Mexico (27)	94.26	+4.08	+4.52	+5.90	+6.68	+12.58	+15.40
Peru (12)	1,147.44	+0.11	+0.01	+63.56	+5.86	+140.22	+13.92
Venezuela (6)	63.84	+2.75	+4.50	+1.48	+2.37	+1.66	+2.67
Latin America (119)	170.91	+8.42	+5.18	+17.82	+11.64	+27.41	+19.10
Europe							
Czech Rep.(14)	114.48	−0.67	−0.76	+7.80	+7.31	+10.20	+9.78
Greece (20)	142.83	+5.99	+4.38	+17.85	+14.28	+30.52	+27.18
Poland (25)	415.27	+15.72	+3.93	+45.94	+12.44	+71.53	+20.81
Portugal (18)	165.15	−3.08	−1.83	+4.21	+2.61	+18.97	+12.98
South Africa (30)	145.52	+3.73	+2.63	+13.81	+10.49	+15.64	+12.04
Turkey (27)	174.76	−2.54	−1.43	+31.33	+21.84	+49.72	+39.76
Europe (134	136.98	+2.05	+1.52	+12.92	+10.41	+18.64	+15.75
Asia							
China (27)	53.93	−1.26	−2.28	−0.59	−1.08	−2.55	−4.52
Indonesia (30)	172.00	+2.17	+1.28	+11.48	+7.15	+15.57	+9.95
Korea (23)	86.47	+0.48	+0.55	−1.63	−1.81	+7.25	+6.93
Malaysia (24)	278.97	−0.71	−0.25	+1.65	+0.59	−1.45	−0.52
Pakistan (13)	75.41	−4.60	−5.75	+13.14	+21.10	+16.95	+29.00
Philippines (18)	331.00	−2.83	−0.85	+6.37	+1.96	+17.21	+5.48
Taiwan (31)	194.31	+1.31	+0.68	+3.32	+1.74	+8.87	+4.79
Thailand (29)	131.00	−6.79	−4.93	−21.06	−13.85	−24.16	−15.57
Asia (193)	222.44	−0.55	−0.24	+1.06	+0.48	+4.87	+2.24

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Louise Lucas

Asia jumps on the century bandwagon

The century bond market last month notched up the first issue from a private Asian corporate and later in the year an Asian central bank is set to make its debut. Bankers say Asian issuers could well become regular players at the long end of the debt markets.

"There could be, and should be, more 100-year bonds," says Mr Thierry Porte, head of debt capital markets for Morgan Stanley in Asia. Morgan Stanley, along with Merrill Lynch, led the pioneering private Asian corporate issue for Reliance Industries, the Indian petrochemicals to textiles group.

The main engine behind the flurry of activity is historically low interest rates. Mr Glenn Kim, senior vice-president, debt capital markets at Lehman Bros in Hong Kong, says: "It's a confluence of events. Investors are looking for higher yielding paper that they feel comfortable with, and issuers are saying they are willing to do so because rates are sufficiently low and spreads sufficiently tight."

This has come against a backdrop of warming sentiment towards countries in the region, such as China and the Philippines, and growing awareness of the main corporate names. Also, Asian corporates are increasingly seeking credit ratings – and no longer feel snubbed if they come away with ratings they deem too low.

First off the blocks was Tenaga, the Malaysian electricity supplier rated A+/A1, which raised US$150m of 100-year funds in January 1996 and, says Mr Kim of book-runner Lehman Bros, provided the catalyst for China, and then others, to follow.

China (BBB/A3) went on to raise US$100m, and was followed in March by Korea Electric Power Corp (Kepco), the state-owned utility which raised US$208m.

Of the four issues to date, Tenaga managed the tightest spread of 142 basis points over 30-year US Treasuries. At the other end is Reliance, at 355 basis points. The spreads of all four have since tightened, a phenomenon Mr Trevor Rowe, chairman of Salomon Brothers Asia Pacific, says demonstrates the healthy appetite for Asian paper.

Lehman defined a relatively shallow universe of potential Asian issuers when it first broached the US notion of 100-year bonds with clients in the region: the home country had to have a strong investor following and high credit rating, and the company had to need long-dated money.

While bankers now include sovereigns, such as the Philippines, which is expected to become Asia's fifth century bond issuer, Lehman focused its attentions on utilities, as the sector with long-term assets and classically taps 20 and 30 year markets, and three countries: Korea, Malaysia and Thailand.

The Tenaga issue, despite coming hot on the heels of a 30-year deal, was "extraordinarily well received," says Mr Kim. Tenaga was happy too: like the 30-year tranche, the 100-year debt carried a coupon of 7.5 per cent, and yet it won a round of accolades for notching up the first Asian century bond.

The market is not without its critics, who say it is artificial, offering little of real value to issuers. For investors, they question the liquidity of the paper in the next big bond sell-off, when corporate spreads widen.

"Remember the perpetual floating-rate note market of the 1980s. Liquidity can dry up very quickly, and you are just left holding the paper," one banker says.

However, Mr Alan Yamashita, head of debt capital markets, Asia-Pacific for Merrill Lynch, says it is more than a public relations gimmick.

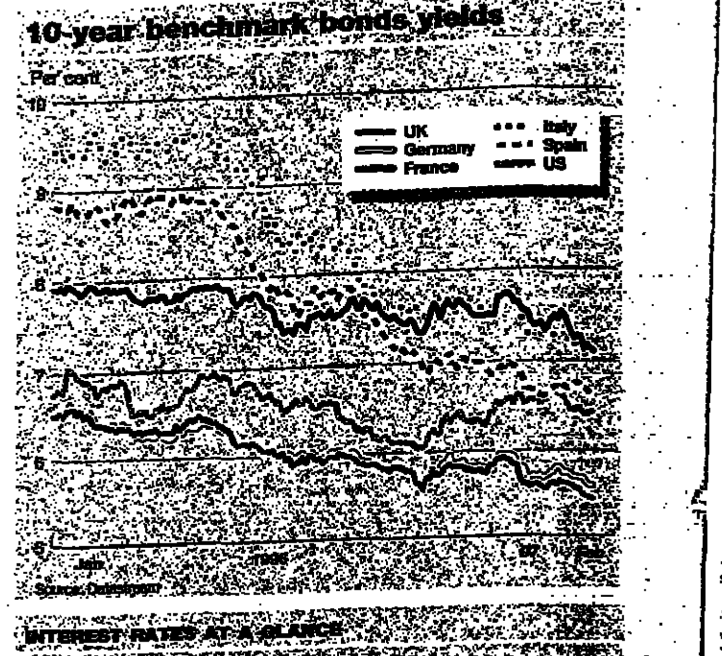
"First, for the issuer in this historically low interest rate environment, 100-year bonds lock in this low rate for the longest term possible. For government issuers, the bonds benefit the country corporates by establishing pricing benchmarks. And for corporate issuers, 100-year debt represents cheap equity," he says.

Others admit to a sense of machismo. Mr Kim notes: "There has not really been an issuer from Europe doing 100-year bonds. Maybe they don't have to prove anything. From here, there is a lot of national pride. Remember, the Federation of Malaysia is not 100 years old, so it has a nice ring to it to raise money for 100 years."

Relaying a national message was partly behind China's 100-year bond, priced at 299 basis points over US Treasuries. "That particular bond was the re-entry of China to the debt markets," says Mr Yamashita.

The scene seems nicely set for the Philippines central bank, which has mandated Salomon Brothers to lead an issue of $750m–$1bn, to be split between 30-year and 100-year bonds.

10-year benchmark bonds yields



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10	6.75	[illegible]
Overnight	n.a.	0.50	3.10	3.12	7.00	[illegible]
Three month	5.70	0.43	3.05	3.21	7.23	[illegible]
One year	5.44	0.50	3.07	3.22	6.68	[illegible]
Five year	6.07	1.37	4.29	4.29	6.66	[illegible]
Ten year	6.28	2.47	5.50	5.40	7.28	[illegible]

(i) France intervention rate. (ii) UK Base rate. Source: [illegible]

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Panama	500	Feb 2002	7.88‡	99.83R	7.92	175(6¼%-02)	BankBoston Corp
Spintab	400	Mar 2002	6.50	99.78R	6.50	+30(6¼%-02)	HSBC Markets
Abbey National Tsy Services	200	Mar 1999	6.00	99.95R	6.03	+10(5⅞%-99)	Nikko Europe
Sears Roebuck Acceptance	300	Feb 2002	6.63	99.87R	6.90	+40(6¼%-02)	JP Morgan
Rabobank Nederland	250	Mar 2001	6.00	99.52R	6.14	+6(3yr wi)	Rabobank/SBC Warburg
Finnish Export Credit★	205	Mar 1999	5.28‡	100.00	-	-	IBJ Intl/New Japan Scrt
BayerHypo‡	175	Mar 2002	(a)	99.90R	-	-	BZW
Nordbanken‡	100	perpetual	(b)	100.0R	-	-	CSFB/Salomon Brothers
Credit Local de France	1bn	Feb 2004	6.50	99.58R	6.58	+18(5⅞%-04)	Nomura International
Fuji Finance Cayman A(k)‡	350	perpetual	(k)	100.00	-	-	Fuji Int Fin/Goldmans
Fuji Finance Cayman B(k1)	150	perpetual	7.30	100.00	-	115(6¼%-02)	Fuji Int Fin/Goldmans
BGB Finance(Ireland)	250	Feb 2012	7.13	99.37R	-	+70(wi10y)	Salomon Brothers
WestLB Finance Curacao(s)	200	Dec 2000	6.00	99.32R	-	+12(5⅞%-00)	CIBC Wood Gundy
Kommuninvest★	200	Mar 2002	6.38	99.80R	6.42	+17(6¼%-02)	Daiwa Europe
Cibra Marga Finance(n)	125	Feb 2002	(m)	100.00	-	-	Peregrine Fixed Income
Abbey National Tsy Srvcs(o)	100	Mar 1999	6.00	99.97R		+8(5⅞%-99)	Nikko Europe
GECC(o)	100	Feb 2001	6.25	102.05		+6(5⅞%-99)	SBC Warburg
Household Bank Nevada‡	70	Feb 2004	(q)	99.93R	-	-	CSFB
Citicorp(r)‡	300	Feb 2004	(r)	99.79R	-	-	Citibank/JP Morgan
Cargill	200	Mar 2000	6.25	100.1R	6.23	+12(5⅞%-00)	Morgan Stanley Int
CS Financial Products(w)‡	150	perpetual	(w)	99.64R	-	-	CS First Boston
Republic of Columbia A(s)	750	Feb 2007	7.63#	99.71	7.67	130(6¼%-07)	JP Morgan/Merril Lynch
Republic of Columbia B(s)	250	Feb 2027	8.38	99.88	8.39	-	JP Morgan/Merril Lynch
Bayerische Hypotheken(s)	250	May 1999	6.00	100.2R	-	-	SBC Warburg
State Bnk New Sth Wales(s)★	150	Aug 1998	5.81#	100.00	-	-	JP Morgan
Fokus Bank(x)‡#	100	perpetual	(x)	99.80R	-	-	Salomon Brothers
D-MARKS							
Siemens Coordination Cnt	750	Mar 2007	5.50	98.16R	5.75	+17(6%-07)	JP Morgan/Dtsch Mg Gf
BayerVB Overseas Finance	400	Mar 2007	6.00	99.92R	6.01	+43(6%-07)	BayerVB/SBC Warburg
Cie Bancaire‡	750	Mar 2002	(t)	99.95R	-	-	Dtsch Mgn Gf/Merrill
Societe Generale	300	Mar 2007	6.00	99.09R	6.12	+53(6%-07)	Societe Generale
Philip Morris Capital	300	Mar 2004	5.38	99.51R	5.46	-	Dresdner Kleinwort Benson
Toyota Motor Credit Corp(s)	500	Dec 2001	4.38	99.57R	-	+5(swdDM01)	Dtsch Mgn Gf/Goldmans
Union Bank of Switzerland	350	Mar 2007	5.75	98.87R	5.09	+35(6%-07)	UBS
Turkiye Halk Bankasi	250	Feb 2002	8.00	100.0R	8.00	348(bd1/02)	JP Morgan/UBS
European Investment Bank‡	125	Feb 2002	(C)	99.90	-	-	Goldman Sachs
First Austria Bank	150	Mar 2007	6.00	99.29R	6.10	+55(6%-07)	Merrill Lynch
YEN							
Turquoise Funding(s)‡	30bn	Mar 2002	(D)	100.0R	-	-	Goldman Sachs
NatWest Mkts Australia(e)★	10bn	Feb 2002	1.20	100.20	1.16	-	Sanwa International
Christiania Bank	3bn	Mar 2001	1.41	100.30	-	-	Yamaichi Intl
Nippon Oil Finance(Nthlnd)	3bn	Feb 2001	1.33	100.25	1.27	-	Sakura Finance Intl
Fujitsu International Fin	1.2bn	Feb 2001	1.35	100.25	1.28	-	Sakura Finance Intl
FRENCH FRANCS							
Siemens Coordination Cnt	2.5bn	Mar 2007	5.50	99.16R	5.61	+14(l)	JP Mn/Dts M Gf/Pribas
Abbey National Tsy Svc	2bn	Mar 2009	5.75	99.68R	5.79	+21(l)	Morgan Stanley
Alcatel Alsthom	1.5bn	Mar 2007	5.63	99.17R	5.74	+26(l)	ABN Amro/Soc Gen
Canal Plus(l)§	2bn	Apr 2002	3.50	100.00	-	-	Lehman Brothers/UBS
Societe Generale	1bn	Mar 2007	6.00	100.56R	5.92	+45(l)	Societe Generale
STERLING							
New Zealand(s)★	70	Aug 1998	6.00	100.00	6.00	-	Nikko Europe
Fannie Mae(s)#	1bn	Jan 2002	6.88	99.62R	-	+10(7%-02)	BZW/Merrill Lynch Int
Hyder(d)(s)	50	Jul 2006	8.75	106.33	-	-	HSBC Markets
DSL Bank(s)	150	Dec 2002	7.00	99.38R	7.14	+17(7%-02)	ABN Amro Hoare Govett
Westpac Banking Corp‡	250	Mar 2002	(y)	99.96R	-	-	HSBC Markets
SWISS FRANCS							
ABB International Finance(s)	150	Sep 2002	3.00	102.40	-	-	UBS Zurich
Daimler-Benz Nth America(s)	125	Sep 2002	3.13	102.25	-	-	Merrill Lynch
Dresdner Bank	150	Mar 2009	4.00	102.70	-	-	CSFB
KfW International Fin(l)	100	Mar 2007	3.00	undisc	-	-	Deutsche Morgan G'fell
Credit Local de France(s)	150	Oct 2003	3.13	102.50	-	-	CSFB Zurich
ITALIAN LIRE							
Citicorp‡	200bn	Mar 2000	(g)	99.95R	-	-	Credito Italiano
EBRD(h)	150bn	Mar 2007	10.00	100.0R	10.00	-	Banca di Roma
BGB Finance Ireland	300bn	Mar 2002	6.40	101.47	6.05	-	Istituto Mobiliare Ita
Merrill Lynch & Co‡	300bn	Mar 1999	(z)	100.0R	-	-	Credito Italiano/Merrill
Nordic Investment Bank(A)	150bn	Mar 2007	8.00	99.0R	8.15	-	Cariplo
GUILDERS							
Siemens Coordination Cnt	500	Mar 2007	5.50	98.71R	5.67	+20(5¾%-07)	ABN Am/Dtch Gf/Pbn
DSL Bank	200	Mar 2003	4.75	99.55R	4.84	+7½(7%-03)	Rabobank
AUSTRALIAN DOLLARS							
National Australia Bank	150	Mar 2000	6.50	100.62	6.27	-	Hambros Bank
Toyota Finance Australia	200	Mar 2002	7.00	101.50	6.64	-	ABN Amro Hoare Govett
LUXEMBOURG FRANCS							
Credit Local de France(l)	3bn	Jun 2003	5.00	102.65	4.60	-	BIL
Crelan Overseas(u)	2bn	Mar 2005	4.38	102.38R	5.35	-	BACOB Bank Luxembourg
ECU							
EBRD(l)	100	Mar 2007	8.25	99.50R	8.33	-	Morgan Stanley Intl
Abbey National Tsy Svcs(B)	100	Dec 2000	5.00	101.6R	-	-	UBS
SOUTH AFRICAN RAND							
IFC	500	Mar 2007	zero	28.00	-	-	Hambros Bank
NEW ZEALAND DOLLARS							
BayerHypo	100	Mar 2000	7.50	100.9R	7.15	-	Toronto Dominion
CZECH KORUNA							
Bertelsmann	1bn	Feb 1998	10.50	100.1R	10.45	-	Creditanstalt Bohemia/UBS
Metro Finance	1bn	Feb 1998	10.50	100.0R	10.50	-	Dresdner Kleinwort Benson

Final terms, non-callable unless stated. Yield spread (over rlvnt gvt bond) at launch supplied by lead manager. ‡Floating-rate note. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3mth Libor+18¾bp. b)3mth Libor +50bp. Callable at par on coupon dates from3/02, 200bp. d) Fungible with STG150m, Plus 228 days accrued. e) In yr2 coupon steps up to 1.5%, 2.15% in yr-3, 2.8% in yr-4,3.45% in 2002Par call coupon dates. f) For 1st 3yrs then steps up to 4¼% to maturity. Call after yr-4 at par. g) 3mth Libor+5bp. h) For 1st 3yrs, then 19.5% less 2 times 6-mth Libor. Call at par 27/3/00. j) Cnvrsn price: L8600. k) 6-mth Libor+90bp until yr-5, then 6mth Libor+240bp. Callable 3/02. k1) Callable 11/3/02, coupon 6mth Libor+240bp. n) Added to $200m, 10/2/97. o) Added to $250m, 13/1/97. q) 3mth Libor+18¾bp. r) 3mth Libor+10bp. t) 1 Ecu equals 1Euro. t1) For 1st 3yrs, then 165 less. u) Coupon until 14/3/01, steps up to 7.375. v) Callable from 27/2/01. 3mth Libor+6.25bp. w) 3mth Libor +75bp. Steps-up 3/07 to 3mth Libor+175bp. Callable at par on 3/07, then 5 yrs at par. x) 6mth Libor+70bp to call date; steps-up to 6mth Libor+145bp. callable from 3/03/04 and on coupon dates thereafter. y) 3mth Liborflat. z) 3mth Libor+5bp. A) For yrs1-5, then 12¾% -12mth libor, fixing annually subject to minimum coupon of 3.5% B) Fungible with Ecu200m plus 80 days accrued C) 6mth Libor+23bp initial coupon. D) 1mth Libor+5bp. § Over interpolated yield. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Feb 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.2358	-0.0225	259 - 457	19.2998	19.1718	19.1923	2.7	19.1358	2.1	-	-	103.7
Belgium	(BFr)	56.3833	-0.0983	253 - 412	56.6000	56.1550	56.2583	2.7	55.9933	2.8	54.7983	2.8	103.5
Denmark	(DKr)	10.4169	-0.0116	120 - 217	10.4558	10.3824	10.397	2.3	10.3564	2.3	10.1775	2.3	105.5
Finland	(FM)	8.1035	+0.0132	949 - 120	8.1190	8.0470	-	-	-	-	-	-	83.6
France	(FFr)	9.2235	-0.0167	198 - 271	9.2592	9.1876	9.2027	2.7	9.1811	2.7	8.9564	2.9	106.4
Germany	(DM)	2.7334	-0.0033	320 - 347	2.7434	2.7233	2.7289	2.9	2.7136	2.9	2.6488	3.1	105.2
Greece	(Dr)	427.490	+0.229	277 - 703	428.512	425.540	-	-	-	-	-	-	66.7
Ireland	(I£)	1.0240	-0.0024	230 - 249	1.0274	1.0224	1.0237	0.4	1.0227	0.5	1.0182	0.8	103.1
Italy	(L)	2694.10	+1.17	311 - 510	2703.97	2682.80	2697.35	-1.4	2699.7	-0.8	2687.85	0.2	76.8
Luxembourg	(LFr)	56.3833	-0.0983	253 - 412	56.6000	56.1550	56.2583	2.7	55.9933	2.8	54.7983	2.8	103.5
Netherlands	(Fl)	3.0674	-0.0025	660 - 687	3.0783	3.0581	3.0596	3.1	3.0441	3.0	2.9706	3.2	103.4
Norway	(NKr)	10.8444	+0.0363	394 - 493	10.9027	10.6937	10.8319	1.4	10.8119	1.2	10.7069	1.3	103.0
Portugal	(Es)	274.938	-0.332	772 - 104	276.049	273.912	275.133	-0.9	275.503	-0.8	-	-	94.5
Spain	(Pta)	231.390	-0.4	294 - 485	232.352	230.441	231.39	0.0	231.17	0.4	228.775	1.1	77.9
Sweden	(SKr)	11.9347	-0.0829	249 - 445	12.0380	11.9204	11.9157	1.9	11.8712	2.1	11.6617	2.3	86.9
Switzerland	(SFr)	2.3708	+0.0143	692 - 723	2.3748	2.3535	2.3628	4.1	2.3476	3.9	2.2761	4.0	102.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	97.7
Ecu	-	1.4066	-0.0001	056 - 076	1.4105	1.4010	1.4047	1.7	1.4002	1.8	1.3786	2.0	-
SDR†	-	1.181949	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6199	-0.002	194 - 204	1.6234	1.6158	-	-	-	-	-	-	-
Brazil	(R$)	1.7007	-0.0002	001 - 013	1.7043	1.6945	-	-	-	-	-	-	-
Canada	(C$)	2.1885	-0.0055	874 - 895	2.1944	2.1851	2.1893	2.8	2.1725	2.9	2.1135	3.4	86.7
Mexico	(New Peso)	12.6122	-0.0297	042 - 201	12.6488	12.5983	-	-	-	-	-	-	-
USA	($)	1.6210	-0.0011	205 - 215	1.6245	1.6160	1.62	0.7	1.6179	0.8	1.6077	0.8	103.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1164	+0.0033	150 - 177	2.1251	2.1089	2.1177	-0.7	2.1184	-0.4	2.118	-0.1	95.9
Hong Kong	(HK$)	12.5620	-0.0077	573 - 666	12.5891	12.5245	12.5547	0.7	12.5408	0.7	12.4782	0.7	-
India	(Rs)	58.2215	-0.0719	549 - 881	58.2950	58.1020	-	-	-	-	-	-	-
Israel	(Shk)	5.4182	-0.0038	115 - 249	5.4260	5.4092	-	-	-	-	-	-	-
Japan	(Y)	201.328	-0.883	185 - 471	202.260	200.380	200.398	5.5	198.543	5.5	190.128	5.6	121.5
Malaysia	(M$)	4.0266	-0.0049	245 - 286	4.0349	4.0180	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3333	+0.0012	317 - 348	2.3439	2.3301	2.34	-3.5	2.3495	-2.8	2.3702	-1.6	115.9
Philippines	(Peso)	42.7053	-0.0338	516 - 590	42.7609	42.6468	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0795	-0.0041	774 - 816	6.0925	6.0610	-	-	-	-	-	-	-
Singapore	(S$)	2.2986	-0.0026	971 - 001	2.3027	2.2923	-	-	-	-	-	-	-
South Africa	(R)	7.1592	-	545 - 639	7.1741	7.1233	-	-	-	-	-	-	-
South Korea	(Won)	1418.62	+13.88	810 - 914	1420.39	1414.32	-	-	-	-	-	-	-
Taiwan	(T$)	44.6424	-0.0303	962 - 885	44.7082	44.5143	-	-	-	-	-	-	-
Thailand	(Bt)	42.3000	+0.0848	464 - 536	42.4160	42.1030	-	-	-	-	-	-	-

† Rates for Feb 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8667	-0.0058	642 - 691	11.9015	11.8310	11.852	1.5	11.8067	2.0	11.6117	2.1	103.4
Belgium	(BFr)	34.7830	-0.037	580 - 080	34.9050	34.6950	34.723	2.1	34.5955	2.2	34.0555	2.1	103.5
Denmark	(DKr)	6.4262	-0.0028	252 - 272	6.4480	6.4100	6.4173	1.7	6.3989	1.7	6.3172	1.7	105.3
Finland	(FM)	4.9991	+0.0118	953 - 028	5.0075	4.9673	4.9903	2.1	4.9716	2.2	4.8891	2.2	83.5
France	(FFr)	5.6900	-0.0065	895 - 905	5.7102	5.6720	5.6817	1.8	5.6637	1.9	5.588	1.8	105.9
Germany	(DM)	1.6862	-0.0009	858 - 865	1.6917	1.6808	1.6833	2.1	1.6773	2.1	1.6525	2.0	104.8
Greece	(Dr)	263.720	+0.32	670 - 770	264.300	262.820	265.275	-7.1	267.845	-6.3	278.87	-5.7	66.6
Ireland	(I£)	1.5831	+0.0026	821 - 840	1.5865	1.5735	1.5825	0.3	1.5823	0.2	1.5794	0.2	-
Italy	(L)	1662.00	+1.85	190 - 210	1668.12	1655.68	1664.73	-2.0	1667.89	-1.4	1668.78	-0.4	76.7
Luxembourg	(LFr)	34.7830	-0.037	580 - 080	34.9050	34.6950	34.723	2.1	34.5955	2.2	34.0555	2.1	103.5
Netherlands	(Fl)	1.8923	-0.0002	920 - 925	1.8965	1.8870	1.8885	2.4	1.8805	2.5	1.845	2.5	103.3
Norway	(NKr)	6.6899	+0.0269	889 - 909	6.7289	6.6092	6.6861	0.7	6.6805	0.6	6.6549	0.5	102.9
Portugal	(Es)	169.610	-0.09	560 - 660	170.400	169.130	169.815	-1.5	170.11	-1.2	170.885	-0.8	94.9
Spain	(Pta)	142.745	-0.15	730 - 760	143.300	142.400	142.843	-0.8	142.855	-0.3	142.075	0.5	77.6
Sweden	(SKr)	7.3626	-0.0461	588 - 663	7.4264	7.3546	7.3598	0.5	7.3459	0.7	7.3026	0.8	86.0
Switzerland	(SFr)	1.4625	+0.0098	620 - 630	1.4645	1.4548	1.4587	3.2	1.4508	3.2	1.418	3.0	102.9
UK	(£)	1.6210	-0.0011	205 - 215	1.6245	1.6160	1.62	0.7	1.6179	0.8	1.6077	0.8	97.6
Ecu	-	1.1525	-0.0007	520 - 530	1.1562	1.1493	1.1539	-1.4	1.157	-1.5	1.1736	-1.8	-
SDR†	-	0.72423	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9993	-0.0006	993 - 993	0.9993	0.9993	-	-	-	-	-	-	-
Brazil	(R$)	1.0492	+0.0006	491 - 492	1.0493	1.0487	-	-	-	-	-	-	-
Canada	(C$)	1.3501	-0.0025	498 - 503	1.3519	1.3492	1.3478	2.1	1.3427	2.2	1.3152	2.6	86.4
Mexico	(New Peso)	7.7805	-0.013	780 - 830	7.7850	7.7750	7.8965	-18.2	8.165	-19.8	9.0255	-16.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3056	+0.0029	051 - 060	1.3082	1.3050	1.3071	-1.4	1.309	-1.0	1.3145	-0.7	98.0
Hong Kong	(HK$)	7.7495	+0.0005	490 - 500	7.7500	7.7485	7.7494	0.0	7.75	0.0	7.761	-0.1	-
India	(Rs)	35.9170	-0.02	870 - 470	35.9800	35.8700	36.132	-7.2	36.592	-7.5	-	-	-
Israel	(Shk)	3.3425	-0.0001	394 - 456	3.3459	3.3387	-	-	-	-	-	-	-
Japan	(Y)	124.200	-0.46	150 - 250	124.820	123.780	123.725	4.6	122.72	4.8	118.52	4.6	122.3
Malaysia	(M$)	2.4840	-0.0013	835 - 845	2.4885	2.4832	2.4869	-1.4	2.4922	-1.3	2.5135	-1.2	-
New Zealand	(NZ$)	1.4394	+0.0017	388 - 399	1.4419	1.4362	1.4449	-4.6	1.4492	-2.7	1.4807	-2.9	-
Philippines	(Peso)	26.3450	-0.003	200 - 700	26.3700	26.3200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7507	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4180	-0.0007	175 - 185	1.4185	1.4169	1.4158	1.8	1.4112	1.9	1.39	2.0	-
South Africa	(R)	4.4165	+0.003	150 - 180	4.4280	4.3360	4.4572	-11.1	4.5322	-10.5	4.847	-9.7	-
South Korea	(Won)	875.150	+3.15	100 - 200	875.200	875.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5400	-	200 - 600	27.5770	27.5100	27.5401	0.0	27.5403	0.0	-	-	-
Thailand	(Bt)	26.0950	+0.07	700 - 200	26.1700	26.0200	26.185	-4.1	26.3525	-3.9	26.99	-3.4	-

† SDR rate per $ for Feb 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 13: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 14	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3$\frac{5}{32}$	3¼	3⅜	3⅜	3$\frac{9}{32}$	6.00	2.50	-
week ago	3$\frac{3}{32}$	3⅛	3$\frac{1}{16}$	3⅛	3$\frac{5}{16}$	6.00	2.50	-
France	3$\frac{3}{16}$	3¼	3¼	3¼	3$\frac{3}{8}$	3.10	-	4.75
week ago	3$\frac{7}{32}$	3¼	3$\frac{5}{32}$	3$\frac{5}{32}$	3$\frac{5}{16}$	3.10	-	4.75
Germany	3$\frac{3}{32}$	3$\frac{3}{32}$	3$\frac{3}{16}$	3$\frac{5}{32}$	3¼	4.50	2.50	3.00
week ago	3$\frac{1}{8}$	3$\frac{3}{32}$	3$\frac{1}{16}$	3$\frac{1}{16}$	3$\frac{1}{16}$	4.50	2.50	3.00
Ireland	5$\frac{3}{32}$	5¾	5$\frac{27}{32}$	5$\frac{27}{32}$	5$\frac{27}{32}$	-	-	6.25
week ago	5½	5¾	5$\frac{27}{32}$	6⅛	5$\frac{15}{16}$	-	-	6.25
Italy	7$\frac{1}{16}$	7$\frac{7}{16}$	7$\frac{5}{32}$	7$\frac{1}{16}$	6¾	8.25	6.75	7.41
week ago	7½	7$\frac{7}{16}$	7$\frac{5}{16}$	6$\frac{15}{16}$	6¾	8.25	6.75	7.35
Netherlands	2⅝	2$\frac{29}{32}$	2$\frac{31}{32}$	3	3⅛	-	3.00	3.30
week ago	2$\frac{27}{32}$	2$\frac{29}{32}$	2$\frac{29}{32}$	2$\frac{31}{32}$	3⅛	-	3.00	3.30
Switzerland	1½	1$\frac{5}{16}$	1$\frac{11}{32}$	1$\frac{13}{32}$	1$\frac{13}{32}$	-	1.00	-
week ago	1$\frac{5}{16}$	1$\frac{5}{16}$	1$\frac{11}{32}$	1$\frac{13}{32}$	1$\frac{13}{32}$	-	1.00	-
US	5⅛	5$\frac{5}{16}$	5$\frac{13}{32}$	5½	5$\frac{23}{32}$	-	5.00	-
week ago	5¼	5$\frac{5}{16}$	5⅜	5½	5$\frac{23}{32}$	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	5$\frac{5}{16}$	5⅜	5$\frac{9}{16}$	5$\frac{13}{16}$	-	-	-
week ago	-	5$\frac{5}{16}$	5$\frac{7}{16}$	5⅝	5$\frac{13}{16}$	-	-	-
US Dollar CDs	-	5.13	5.20	5.20	5.32	-	-	-
week ago	-	5.13	5.18	5.25	5.42	-	-	-
ECU Linked Ds	-	4⅛	4$\frac{1}{32}$	4$\frac{1}{32}$	4$\frac{1}{32}$	-	-	-
week ago	-	4⅛	4$\frac{1}{32}$	4$\frac{1}{32}$	4$\frac{1}{32}$	-	-	-
SDR Linked Ds	-	3$\frac{5}{16}$	3⅜	3$\frac{7}{16}$	3$\frac{13}{16}$	-	-	-
week ago	-	3$\frac{3}{16}$	3⅜	3$\frac{9}{16}$	3⅝	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3$\frac{1}{16}$ - 2⅞	3$\frac{3}{16}$ - 3$\frac{1}{16}$	3$\frac{3}{16}$ - 3$\frac{1}{16}$	3$\frac{3}{16}$ - 3$\frac{1}{16}$	3⅛ - 3$\frac{9}{32}$	3$\frac{7}{32}$ - 3$\frac{3}{32}$
Danish Krone	3$\frac{21}{32}$ - 3½	3$\frac{19}{32}$ - 3½	3⅝ - 3½	3⅝ - 3½	3$\frac{21}{32}$ - 3$\frac{9}{16}$	3$\frac{25}{32}$ - 3⅝
German Mark	3$\frac{3}{32}$ - 3$\frac{1}{16}$	3$\frac{1}{16}$ - 2$\frac{15}{16}$	3¼ - 3⅛	3¼ - 3⅛	3$\frac{7}{32}$ - 3⅛	3$\frac{5}{16}$ - 3$\frac{3}{16}$
Dutch Guilder	3 - 2⅞	2$\frac{31}{32}$ - 2$\frac{29}{32}$	2$\frac{15}{16}$ - 2$\frac{27}{32}$	3 - 2⅞	3$\frac{1}{16}$ - 2$\frac{15}{16}$	3$\frac{3}{16}$ - 3$\frac{1}{16}$
French Franc	3¼ - 3⅛	3$\frac{5}{16}$ - 3$\frac{3}{16}$	3$\frac{11}{32}$ - 3$\frac{3}{16}$	3$\frac{5}{16}$ - 3$\frac{7}{32}$	3$\frac{7}{16}$ - 3$\frac{7}{32}$	3⅜ - 3$\frac{7}{32}$
Portuguese Esc.	6$\frac{3}{16}$ - 6$\frac{7}{32}$	6$\frac{5}{16}$ - 6$\frac{9}{32}$	6$\frac{3}{16}$ - 6$\frac{1}{32}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$	5$\frac{27}{32}$ - 5¾	5$\frac{23}{32}$ - 5⅝
Spanish Peseta	6$\frac{1}{32}$ - 6	6$\frac{3}{32}$ - 6$\frac{1}{16}$	6$\frac{1}{32}$ - 5$\frac{15}{16}$	5$\frac{27}{32}$ - 5¾	5$\frac{11}{16}$ - 5⅝	5$\frac{19}{32}$ - 5$\frac{7}{16}$
Sterling	5½ - 5¼	6⅛ - 6	6⅛ - 6$\frac{1}{16}$	6$\frac{5}{16}$ - 6$\frac{3}{16}$	6⅝ - 6½	6¾ - 6⅝
Swiss Franc	1½ - 1⅛	1⅝ - 1⅜	1$\frac{11}{16}$ - 1$\frac{9}{16}$	1$\frac{11}{16}$ - 1$\frac{9}{16}$	1$\frac{11}{16}$ - 1$\frac{9}{16}$	1$\frac{17}{32}$ - 1$\frac{13}{32}$
Canadian Dollar	3 - 2$\frac{13}{16}$	3$\frac{1}{32}$ - 2$\frac{29}{32}$	3$\frac{1}{32}$ - 2$\frac{29}{32}$	3⅛ - 2$\frac{31}{32}$	3$\frac{5}{32}$ - 3$\frac{1}{32}$	3$\frac{13}{32}$ - 3$\frac{11}{32}$
US Dollar	5¼ - 5	5$\frac{5}{16}$ - 5$\frac{3}{16}$	5$\frac{11}{32}$ - 5$\frac{7}{32}$	5$\frac{7}{16}$ - 5$\frac{11}{32}$	5$\frac{17}{32}$ - 5$\frac{13}{32}$	5¾ - 5$\frac{21}{32}$
Italian Lira	7⅞ - 7	7$\frac{13}{32}$ - 7⅜	7½ - 7⅜	7$\frac{5}{16}$ - 7$\frac{7}{32}$	7$\frac{1}{32}$ - 6$\frac{31}{32}$	6$\frac{27}{32}$ - 6$\frac{21}{32}$
Japanese Yen	$\frac{17}{32}$ - $\frac{15}{32}$	$\frac{17}{32}$ - $\frac{13}{32}$	$\frac{9}{16}$ - $\frac{7}{16}$	$\frac{9}{16}$ - $\frac{7}{16}$	$\frac{9}{16}$ - $\frac{7}{16}$	⅝ - ½
Asian $Sing	2⅝ - 2½	2 - 1⅞	3¼ - 3⅛	3$\frac{1}{16}$ - 3	3$\frac{11}{32}$ - 3$\frac{1}{32}$	3$\frac{21}{32}$ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.48	94.51	+0.01	94.52	94.48	31,212	390,848
Jun	94.39	94.41	-0.03	94.43	94.38	61,974	384,240
Sep	94.28	94.31	-0.07	94.35	94.28	72,832	293,916

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.02	95.03	+0.03	95.04	95.02	1,634	5,219
Jun	94.95	94.96	+0.03	94.96	94.94	202	3,458
Sep	94.85	94.85	+0.04	94.86	94.85	34	921

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.36	4.847	1.816	4778	5.440	19.23	487.6	410.6	21.16	4.205	1.774	3.883	2.875	357.0	2.496
Denmark	(DKr)	54.11	10	8.852	2.623	0.983	2585	2.943	10.40	263.8	222.2	11.45	2.275	0.960	2.101	1.556	193.2	1.350
France	(FFr)	61.12	11.30	10	2.963	1.110	2921	3.325	11.75	298.0	251.0	12.93	2.570	1.084	2.373	1.757	218.2	1.525
Germany	(DM)	20.63	3.813	3.375	1	0.375	985.7	1.122	3.966	100.6	84.71	4.365	0.868	0.366	0.801	0.593	73.66	0.515
Ireland	(I£)	55.06	10.18	9.008	2.669	1	2631	2.995	10.59	268.5	226.1	11.65	2.315	0.977	2.138	1.583	196.6	1.374
Italy	(L)	2.093	0.387	0.342	0.101	0.038	100.	0.114	0.402	10.20	8.593	0.443	0.088	0.037	0.081	0.060	7.472	0.052
Netherlands	(Fl)	18.38	3.397	3.007	0.891	0.334	878.4	1	3.534	89.63	75.48	3.890	0.773	0.326	0.714	0.529	65.63	0.459
Norway	(NKr)	52.01	9.613	8.509	2.521	0.945	2485	2.829	10	253.6	213.6	11.01	2.187	0.923	2.019	1.495	185.7	1.298
Portugal	(Es)	20.51	3.790	3.355	0.994	0.372	980.0	1.116	3.943	100.	84.21	4.340	0.862	0.364	0.796	0.590	73.23	0.512
Spain	(Pta)	24.35	4.501	3.984	1.181	0.442	1164	1.325	4.683	118.7	100.	5.153	1.024	0.432	0.946	0.700	86.95	0.608
Sweden	(SKr)	47.26	8.734	7.732	2.291	0.858	2258	2.571	9.086	230.4	194.0	10	1.987	0.838	1.835	1.359	168.7	1.179
Switzerland	(SFr)	23.78	4.395	3.890	1.153	0.432	1136	1.294	4.572	115.9	97.64	5.032	1	0.422	0.923	0.684	84.90	0.593
UK	(£)	56.38	10.42	9.224	2.733	1.024	2694	3.067	10.84	274.9	231.5	11.93	2.371	1	2.189	1.621	201.3	1.407
Canada	(C$)	25.76	4.760	4.214	1.249	0.468	1231	1.401	4.952	125.6	105.8	5.450	1.083	0.457	1	0.741	91.96	0.643
US	($)	34.78	6.428	5.690	1.686	0.632	1662	1.892	6.687	169.6	142.8	7.360	1.463	0.617	1.350	1	124.2	0.868
Japan	(Y)	28.01	5.176	4.582	1.358	0.509	1338	1.524	5.385	136.6	115.0	5.926	1.178	0.497	1.087	0.805	100.	0.699
Ecu		40.07	7.406	6.556	1.942	0.728	1915	2.180	7.704	195.4	164.5	8.479	1.685	0.711	1.556	1.152	143.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5947	0.5938	-0.0012	0.5960	0.5921	21,550	90,407
Jun	0.5970	0.5973	-0.0012	0.5992	0.5970	648	5,939
Sep	0.6012	0.6010	-0.0012	0.6012	0.6012	5	2,350

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6891	0.6850	-0.0044	0.6898	0.6845	19,037	47,799
Jun	0.6933	0.6914	-0.0046	0.6952	0.6910	212	3,111
Sep	0.7010	0.6981	-0.0048	0.7010	0.7010	1	1,966

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.8070	0.8082	+0.0014	0.8115	0.8044	16,750	77,813
Jun	0.8100	0.8185	+0.0014	0.8216	0.8160	516	3,589
Sep	0.8318	0.8292	+0.0014	0.8318	0.8297	166	824

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6232	1.6200	-0.0032	1.6240	1.6158	8,767	34,171
Jun	1.6150	1.6174	-0.0032	1.6210	1.6150	133	2,769
Sep	-	1.6138	-0.0032	-	1.6130	1	1,059

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.610	1.11	2.38	2.96	-	1.30	2.01
1.620	0.11	1.83	2.51	-	1.74	2.51
1.630	-	1.38	2.03	-	2.30	2.98

Previous day's vol., Calls 789 Puts 170. Prev. day's open int., Calls 34,447 Puts 50,583

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
0.595	-	0.60	0.94	0.19	0.76	1.01
0.600	-	0.43	0.72	0.68	1.06	1.25
0.605	-	0.29	0.53	1.20	1.41	1.58

Previous day's vol., Calls 3,153 Puts 3,138. Prev. day's open int., Calls 42,547 Puts 26,421

UK INTEREST RATES

LONDON MONEY RATES

Feb 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 2	6 - 5⅞	6⅛ - 6	6$\frac{5}{16}$ - 6$\frac{3}{16}$	6$\frac{7}{16}$ - 6$\frac{5}{16}$	6¾ - 6⅝
Sterling CDs	-	-	6$\frac{1}{32}$ - 6$\frac{1}{32}$	6$\frac{3}{16}$ - 6⅛	6$\frac{9}{32}$ - 6$\frac{7}{32}$	6$\frac{19}{32}$ - 6$\frac{17}{32}$
Treasury Bills	-	-	5$\frac{15}{16}$ - 5⅞	5⅞ - 5$\frac{13}{16}$	-	-
Bank Bills	-	-	5$\frac{15}{16}$ - 5⅞	6 - 5$\frac{15}{16}$	6¼ - 6⅛	-
Local authority deps.	6$\frac{1}{16}$ - 5$\frac{15}{16}$	6$\frac{1}{16}$ - 6$\frac{1}{16}$	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6$\frac{5}{16}$	6$\frac{11}{16}$ - 6$\frac{9}{16}$
Discount Market deps	7 - 6	6$\frac{1}{16}$ - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Feb 14, 5.8415pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 25, 1997, Scheme III 7.68pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.409pc. Finance House Base Rate 6½pc from Feb 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Feb 14	Feb 7		Feb 14	Feb 7
Bills on offer	£400m	£400m	Top accepted rate	5.8560%	5.8761%
Total of applications	£2547m	£3186m	Ave. rate of discount	5.8415%	5.8746%
Total allocated	£400m	£400m	Average yield	5.9278%	5.9619%
Min. accepted bid	£98.540	£98.535	Offer at next tender	£400m	£400m
Allotment at min. level	32%	75%	Min. accept. bid 92 days	-	-

Pound in New York

Feb 14	—Close —	— Prev. close —
£ spot	1.6220	1.6235
1 mth	1.6210	1.6226
3 mth	1.6189	1.6205
1 yr	1.6080	1.6107

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	1996/97 High	1996/97 Low	Since comp. High	Since comp. Low
FTSE 100	4341.0	4327.1	4304.3	4304.3	4307.7	4341.0	3632.3	4341.0	986.9
FTSE 250	4606.0	4586.7	4574.5	4586.6	4596.7	4616.0	4015.3	4616.0	1379.4
FTSE 250 ex IT	4643.1	4623.2	4612.4	4626.6	4636.9	4664.4	4024.4	4664.4	1378.3
FTSE 350	[illegible]								
FTSE SmallCap	[illegible]								
FTSE SmallCap ex IT	[illegible]								
FTSE All-Share	[illegible]								

	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	1996/97 High	1996/97 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1325.67	1323.16	1317.45	1311.38	1308.98	1325.67	1108.94	1325.67	31.14
FTSE Eurotrack 100	2158.67	2158.38	2143.59	2133.29	2123.68	2158.67	1504.40	2158.67	900.45
FTSE Eurotrack 200	2191.24	2183.79	2174.50	2164.68	2156.79	2191.24	1584.49	2191.24	938.52
FT 30	[illegible]								
FT Govt Securities	[illegible]								
FT Fixed Interest	[illegible]								
FT Gold Mines	[illegible]								

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996/97 High	1996/97 Low	Stock	Closing price p	+or-
320	Nil	26/2	65pm	50pm	Finelist Group	50pm	
180	Nil	18/2	14pm	8½pm	Gt Portland	13½pm	+1½

pm premium.

BANK RETURN

BANKING DEPARTMENT	Wednesday February 12, 1997 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	1,087,766,914	-202,763,608
Bankers deposits	2,150,711,582	+10,757,324
Reserve and other accounts	2,986,206,961	-80,355,197
	6,229,238,487	-272,361,381
Assets		
Government securities	1,300,546,749	-21,200,000
Advance and other accounts	1,576,486,314	-1,262,470,931
Premises, equipment and other secs	3,340,714,795	+1,011,884,816
Notes	11,353,878	-568,222
Coin	136,731	-6,842
	6,229,238,487	-272,361,381
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,568,646,122	-29,431,778
Notes in Banking Department	11,353,878	-568,222
	20,580,000,000	-30,000,000
Assets		
Other Government securities	8,189,817,603	+1,829,681,590
Other Securities	12,390,182,397	-1,859,681,590
	20,580,000,000	-30,000,000

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

[illegible]

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind	♣	£23¼	....	0545c	◆	May Oct	2.9	–
Barlow	♣	£7¼xd	1.5	0105c	3.3	Jan Jul	9.12	–
Gold Flds Prop R	†	138¼	3.0	065c	1.5	Feb Sep	26.2	–
MK Props		65	....	063.8c	–	Mar Sep	9.95	–
SASOL	♥	845	....	078c	–	Oct	9.93	–
SA Brews		£16½xd	7.3	0200c	◆	Jul Feb	2.12	4113
Standard Bank		£25⅞	–2.1	0294c	3.1	Sep Mar	–	–
Tiger Oats		798	....	0132c	2.8	Jan Jul	10.6	–
Tongaat-Hulett		783½xd	0.7	0136c	◆	Jan Jun	20.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. e Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). O Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

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The following changes have been made to the FT Share Information Service: Additions: Enviromed (Hlth), Sunderland (L&H), IMS (Med). Deletions: Time Warner (Amer).

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 · Jersey 01534 71696
Private Clients 0800 414161 · 00 352 250404230
From O'seas (44) 1732 777377 · Hong Kong (852) 848 1000

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum		A$18.449		5.00	48807
ASch Accum		Sch230.53		2.00	47844
C$ Accum		C$18.830		1.90	40941
DM Accum		DM38.557		1.90	41229
DFl Accum		Dfl31.830		1.70	40959
ECU Accum		Ecu13.620		2.80	41238
FFr Accum		FFr67.501		2.10	41282
HK$ Accum		HK$122.88		4.30	41316
Lire Accum		L24108		6.30	41388
NZ$ Accum		NZ$40.834		6.50	41544
Nkr Accum		NKr113.51		1.80	49046
S$ Accum		S$26.307		0.80	48050
SPta Accum		Pta2783.7		5.10	50124
£ Accum		£13.333		5.10	41546
SKr Accum		SKr122.92		2.80	49054
SFr Accum		SFr29.436		0.40	41580
US$ Accum		$23.843		4.40	41575
Yen Accum		Y2691 3		0.10	41582

Prices for dealing February 14

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1256, Hamilton, Bermuda · 001 809 292 2760
Jupiter Tyndall World Unit Fund Ltd

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
Eurobond		$16.18	16.99	3.93	45873
Money		$14.31	15.03	2.99	45872
Mortgage		C$24.59	25.83	7.10	45875
North American		$15.08	15.84	0.00	45871
Overseas		$17.38	18.25	0.00	45878
Tiger		$17.78	18.68	0.00	45877
UK Small Cos		£1 47	1 55	0.00	58186

Newport Investment Management

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey · 01481 707000
Prudential Money Funds Ltd

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
Managed Sterling		149.7	149.8	6.90	45637
Managed Dollar	5	$14.11	14.12	6.91	45638
Dollar Deposit		$10 17	10.12	3.77	45640

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey · 01481 719700

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
Five Arrows Latin Am Dis	5	$16.56	17.61	-	44059

Five Arrows International Bond Funds

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
FAIB £ Bond	3½	£22.18	22.90	5.49	47646
FAIB US$ Bond	3½	$33.51	34.63	5.10	47647
FAIB £ Global	3½	£17.28	17.84	5.21	44948
FAIB US$ Global	3½	$30.39	31.43	4.87	44950

Five Arrows International Reserves Ltd

	Init Chrge	Selling Price	Buying Price	Yield Gr's	City-Line
FAIRL £		£45.77		5.07	45684
FAIRL A$		A$50.89		4.90	45665
FAIRL C$		C$39.983		1.84	45666
FAIRL DFl		Dfl101.001		1.72	45667
FAIRL DKr		DKr401 54		2.42	45668
FAIRL DM		DM88.845		1.98	45669
FAIRL ECU		Ecu32.235		3.00	45670
FAIRL BFr		BFr2053.86		1.89	45671
FAIRL FM F		FM301.59		1.75	-
FAIRL FFr		FFr448.854		2.16	45672
FAIRL HK$		HK$183.77		4.17	45673
FAIRL Lire		L147127		6.47	45674
FAIRL NZ$		NZ$47.484		6.27	46761
FAIRL NKr F		NKr402.805		1.99	-
FAIRL S$		S$87.693		1.23	45675
FAIRL R F		R312.165		15.70	-
FAIRL Pta		Pta4584.61		5.32	48783
FAIRL SF		SFr77.442		0.59	45676
FAIRL SKr		SKr204.83		3.01	48782
FAIRL U.S.$		$83.643		4.34	45677
FAIRL Yen		Y10114.08		0.00	45678
FAIRL Man £		£28.530		3.84	45679
FAIRL Man DM		DM67.285		1.38	45680
FAIRL Man $		$31.741		3.14	45681
FAIRL Man Int		$20.851		1.43	45684

Five Arrows Currency Fund Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

مكتبة الأسد

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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Old Mutual International (Guernsey) Ltd

PO Box 121, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	Yield Gross	City-Line
£ Stg Managed	£4.465	4.906	-	45810
£ European Stockmkt	£5.688	6.117	-	45811
£ UK Stockmkt	£5.491	5.905	-	45812
£ Sterling Special Mkt	£4.448	4.783	-	45613
£ UK Fixed Interest	£4.990	5.366	-	45614
£ Stg Money Mkt	£3.010	3.236	-	45615
£ Capital Guarantee	£1.734	1.864	-	45616
$ Dollar Managed	$3.404	3.660	-	45617
$ Intl Stockmkt	$4.537	4.879	-	45618
$ US Dollar Bond	$1.397	1.503	-	47651
$ Nth Am Stkmkt	$4.171	4.485	-	45619
$ Japan Stockmkt	$1.282	1.378	-	45629
$ Pacific Stockmkt	$4.850	5.215	-	45620
$ Emerging Asian Stockmkt	$2.399	2.579	-	47382
$ Hong Kong Stockmkt	$8.039	8.645	-	45621
$ Intl Fixed Interest	$3.898	4.189	-	45623
$ Intl Mngd Currency	$2.471	2.657	-	45625
$ Dollar Money Mkt	$2.292	2.465	-	45626
$ Latin American Stkmkt	$1.091	1.173	-	44475
$ Dollar Special Mkt	$0.994	1.069	-	49494
$ Emerging Market Bond	$1.265	1.360	-	54549
$ Emerging Stockmarkets	$0.953	1.029	-	54550
G'teed Futures1 Sep '98		$2.074	-	50234
G'teed Futures2 Mar '99		$1.772	-	47489
G'teed Futures3 Sep '99		$2.080	-	44476
G'teed Futures4 Dec 2000		$1.928	-	44477
G'teed Futures5 Dec 2001		$0.796	-	49486
Guaranteed 185 Futures Bond		$1.143	-	54651
Swiss Franc Managed	SFr7.806	8.394	-	50235
Swiss Franc Money Mkt	SFr1.298	1.393	-	45628
Convergence	SFr1.119	1.204	-	44470
DEM Deutschemark Mngd	DM2.878	3.085	-	43146

Sun Alliance International Life

PO Box 77, Les Echelons Ct, St Peter Port, Guernsey

	Selling Price	Buying Price	Yield Gross	City-Line
US Dollar Global Managed	$2.17	2.34		
Stg Global Managed	£2.12	2.29		

Sun Life International (IOM) Ltd

Bridge House, Castletown, Isle of Man

Tel: 44 (0) 1624 825000

Prices Line: 44 (0) 1624 824740

	Selling Price	Buying Price	Yield Gross	City-Line
Aggressive Managed	£1.434			
Balanced Managed	£1.311			
Defensive Managed	£1.339			
Sterling Income	£1.236			
Sterling Guaranteed Money	£1.250			
Offshore Deferred Distribution	£1.455			

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Philippines Long Term Equity

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Nov 30		$44.07		

AXA Asset Management

	Selling Price	Buying Price	Yield Gross	City-Line
AXA Valeurs		FFr195.50		
AXA Europe Actions Cap.		FFr344.31		
AXA Europe Actions Dist.		FFr344.31		

4 pm close February 14

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	24⅞	AAR x	0.48	1.8	22	383	26⅝	26½	26⅝	
46⅛	33	AMP x	1.04	2.6	30	2196	41⅛	39⅝	39¾	-1¼
97½	68	AMR			6	6935	82¾	81¼	81⅞	-1¼
50½	33¼	ASA	1.20	3.3	23	1309	36⅜	35¾	36⅛	+⅜
58⅝	38⅛	AbbtL x	0.96	1.6	24	11548	u58⅞	57⅞	58¼	-¼
17⅞	12¼	Abitibi Pr	0.40	2.4	8	1192	16½	16¼	16½	
20¼	13½	ABM Ind	0.40	2.1	17	324	19	18¾	18¾	-¼
22½	13⅞	Acptocain			10	171	20⅝	20⅜	20½	-⅛
61¼	37¾	ACE Ltd	0.72	1.2	10	1283	59⅞	59⅝	59¾	-⅛
10½	9⅛	ACM Gvt In x	0.90	8.8	11	283	10⅜	10¼	10¼	-⅛
7⅞	6⅝	ACM GvOpp x	0.63	8.4		53	7⅝	7½	7½	-⅛
9⅞	8⅞	ACM Man x	0.90	9.2		226	9¾	9⅝	9¾	+¼
13⅞	6⅛	Acme Elect				89	7¼	7	7⅛	-⅛
21⅝	13⅞	Acme Mills			72	40	16¾	16⅝	16¾	+⅛
33¾	27¼	Acuvda	0.80	2.6	15	462	30¾	29⅞	30½	+1
29⅞	12	Acuson				2049	29¼	28¾	29¼	+⅝
21⅛	17⅞	Adams Expr	0.55	2.6	1	89	20⅞	20⅞	20⅞	
36⅛	10¼	Advtic				6906	34½	33¾	33⅞	-¼
14⅛	8½	Advest Grp			10	133	u14⅛	13⅞	13⅞	-⅛
28⅛	9⅛	Advo Inc			30	464	13⅜	13⅛	13¼	+⅛
65⅛	41⅛	Aegon	1.18	1.8	19	190	64½	63⅝	64½	+1⅛
6¾	3½	Aerfx				347	4½	4¼	4¼	-⅛
50⅛	40⅞	AES Corp				20	48	48	82⅛	+2
[illegible]										

NYSE PRICES

4 pm close February 14

Continued from previous page

[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX PRICES

4 pm close February 14

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 14

[illegible]

Rainbow	12	280	18	16 15/16	16.93	-1.33
Rallys	2	1195	4 1/4	3 15/16	4 1/16	+3/16
Raymond	0.10 11	1984	21 3/4	21	21 3/4	+3/8
RCSB Fin	0.60 12	1655	u32 5/8	31 5/8	32 5/8	+1/2
Read-Rite		38855	27 3/4	24 1/2	27 1/8	-1/4
Recoton	15	348	16 3/8	15 3/4	16 1/4	+1/2
RegFinCp		2240	u57 7/8	57 1/4	57 3/4	+1/4
Repligen		318	1 5/16	1 7/32	1 5/16	
Repub Ind		24531	36 7/8	34 5/8	35 1/4	-1

- X - Y - Z -

Xilinx♣		2816685	48 1/8	47	47 1/8	-1/2
Xircom	44	3557	28 1/4	25 1/8	25 1/8	-1 1/4
Xoma Corp		1520	5 15/16	5 1/16	5 5/8	-1/8
Yellow		256	16 1/2	16 1/4	16 1/4	-1/8
York Rsch	20	133	9 7/8	9 5/8	9 7/8	+3/16
ZionsUtah	1.76 19	326	133 1/2	130	130	-1

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
Activcard	US$8.125		1000	8.5	8	Innogenetics	US$11.25		28830	12.875	10.125
Artwork Systems	US$11		2700	11.375	9.375	Mercer Interntnl.	US$10.5		0	11.375	10.875
Dr Solomon's ADS	US$24.125		100	26.125	16.625	Pixtech	US$5.5		0	5.75	4.75

Prices for 14/2/97.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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FT GUIDE TO THE WEEK

MONDAY 17

Hogg faces censure

British MPs debate a motion by the UK opposition Labour party censuring Douglas Hogg, the agriculture minister, for his handling of the BSE "mad cow" crisis. If Labour wins the vote following the debate, the party is expected to call for a vote of no-confidence in the government – which would open the possibility of an immediate start to the general election campaign.

EU eyes up Belgian budget

EU finance ministers meet in Brussels to scrutinise Belgium's four-year economic convergence programme and for a presentation of the annual EU economic report – published by Yves-Thibault de Silguy, the monetary affairs commissioner. Belgium's programme, under which its budget deficit would be cut to 1.4 per cent of GDP by 2000 and its debt reduced by 10 per cent, is said by officials to be ambitious but credible. Also on the agenda is financial aid to Georgia, Armenia, Tajikistan and the former Yugoslav republic of Macedonia.

Pyramid fury: Petro Kool, a local opposition leader in Albania, is carried aloft amid continuing protests over collapsed investment schemes

Andorra government talks

Discussions to form a government begin between the members of the second-ever truly democratic parliament elected on Sunday in the tiny Pyrenean mountain state of Andorra. Under the co-principality's first constitution – approved in 1993 – half of the 28 politicians are elected by proportional representation and half by majority vote within each of its seven parishes. Resolving the budget deficit and entering new discussions with the EU will be among the government's main challenges.

Hamanaka goes on trial

Yasuo Hamanaka, the former head of Sumitomo Corporation's non-ferrous metals department, goes on trial in Tokyo. Hamanaka, who incurred losses of $2.6bn (£1.59bn) in unauthorised copper trading over 10 years, faces charges of fraud and forgery.

Conjurers in Colombia

Conjurers and illusion artists from more than 20 countries gather in Bogota for Intermagic 97, a magic congress co-ordinated by Colombia's National Theatre Company. About 250 magicians will take part, from as far away as Russia, Israel and Britain as well as in Latin America. They will tour five other cities.

Public holidays

Guam, United States (most states), Virgin Islands.

TUESDAY 18

Albright visits Nato hq

Madeleine Albright, the new US secretary of state, attends her first Nato foreign ministers' meeting in the hope of co-ordinating views on Nato enlargement and relations with Russia. She will seek to ensure that the 16-member alliance presents a united front to Russia as it considers how to soothe Moscow's concerns over Nato's expansion. Her call at Nato headquarters in Brussels is part of a 10-day overseas trip – her first since taking office – that will include consultations with all the main European allies as well as Russia and China.

MEPs debate beef report

The European Parliament's special inquiry into the "mad cow" affair is expected to dominate the assembly's monthly session. MEPs will debate the inquiry's final report – which sharply criticises the UK and European Commission – and hear from Jacques Santer, the Commission president, and Reimer Böge, the inquiry's chairman. They will also debate a motion, launched by a Belgian MEP, to censure the European Commission over its handling of the beef crisis. The vote will be on Thursday. A successful vote would force the resignation of all 20 European commissioners. However, insiders say the motion is unlikely to win the necessary majority.

Kinkel meets Primakov

Klaus Kinkel, the German foreign minister, will discuss the future relationship between Nato and Russia within a European security framework when he meets Yevgeny Primakov, the Russian foreign minister, in Moscow. The meeting is part of intensive discussions among Nato allies and Russian leaders ahead of the Nato summit in Madrid in July.

Phone tapping appeal

The Cour de Cassation in Paris, the highest appeals court in France, considers the validity of an investigation against senior civil servants and public figures involved in allegations of illegal phone tapping co-ordinated by the "Elysée Cell" under former president François Mitterrand during the 1980s.

Çiller in sleaze debate

Turkey's parliament begins a two-day session to decide whether Tansu Çiller, the deputy prime minister in the Islamist-led coalition government, should be sent for trial at the supreme court on corruption charges. The government has a narrow majority and MPs are likely to clear her. Mrs Çiller has already been absolved by parliamentary committees investigating charges that, while prime minister between 1993 and 1995, she enriched herself illegally and meddled in a big privatisation.

Canadian budget tabled

Paul Martin, Canada's finance minister, tables his annual budget in parliament. The deficit for the year to March 31 will be well below the 3 per cent of GDP forecast last year. Mr Martin could balance his books by the end of the decade. However, with a general election expected soon, he is likely to use some of the windfall to garner votes for the ruling Liberals. Funds for public infrastructure projects and tax breaks to reduce child poverty may be among the handouts.

S Korean strike threat

South Korea's dissident trade union group, the Korean Confederation of Trade Unions, is scheduled to hold a general strike to press for the revision of a controversial labour law, which will make it easier for employers to sack workers. Strikes by the union group last month forced Kim Young-sam, the South Korean president, to resubmit the law to parliament for possible amendment. The latest action may be called off if parliament progresses in relaxing the law's restrictions on trade union activity.

FT Surveys

Singapore; Trinidad and Tobago.

Public holidays

Gambia, Nepal.

WEDNESDAY 19

Caricom in Antigua

Leaders of the 14-nation Caribbean Community (Caricom) meet in Antigua to discuss trade issues, including *neighbour relations (to Feb 21)*. The community and the Dominican Republic are negotiating a free-trade agreement, and Cuba has asked to be considered for similar negotiations. Haiti has applied to be a Caricom member. The summit will also discuss the preferential markets in Europe – as well as the US, where Nafta has cost it market share to Mexico.

Safety for dolphins

Representatives of the fishing industries and environmental authorities of the Americas meet in Cartagena, Colombia, for a conference on tuna fishing. The Inter-American Tuna Fishing Commission must rule on whether adequate measures are being taken by member countries to protect Pacific Ocean dolphins, which travel closely with yellow-fin tuna and whose numbers have been depleted by accidental catches. Using dolphin-safety panels is a condition for canned tuna to be imported to the US from South America, but doubts have been raised over the accuracy of the "Dolphin-Safe" label.

FT Survey

Albania.

Public holidays

Puerto Rico.

THURSDAY 20

Italian left weighed up

A congress defining the future identity of the Party of the Democratic Left (PDS), the dominant partner in Italy's centre-left government, opens in Rome (to Feb 23). The congress is the first since the PDS was formed in 1991 from the mainstream of the defunct Italian Communist Party. The aim is to formalise its commitment to a social democratic platform. The leadership of Massimo D'Alema will be confirmed. The main focus will be on the residual influence of the left, which will determine how far the government is willing to tackle Italy's generous welfare system – vital for reducing the public sector deficit.

Grand Prix trial starts

Frank Williams, the Formula One team leader, and five others are to face trial in Imola, Italy. They are charged with the manslaughter of Ayrton Senna, the Brazilian racing driver who was three-times world champion. Senna died in a Williams-Renault car during the San Marino grand prix at Imola in 1994. His death has been blamed on the failure of a weld in the car's steering column. However, the Williams team is understood to be preparing evidence to show that the circuit at Imola, where the trial will be held, was unsafe.

FT Survey

UK Chambers of Commerce (UK only).

FRIDAY 21

UK arms sales challenged

The World Development Movement (WDM), which successfully brought a case against the UK government's use of £234m in aid for the Pergau dam in Malaysia, has warned it will seek a judicial review unless export licences for arms sales to Indonesia are revoked. The WDM together with the Campaign Against the Arms Trade and the Indonesia Human Rights Campaign claim to have photographic evidence of British-made water cannon being used against peaceful demonstrators.

Public holidays

Bangladesh, Sri Lanka, Thailand.

SATURDAY 22

N Korea nuclear mission

A 30-member survey team arrives in North Korea to resume supervision of the construction of light-water nuclear reactors. The team from the Korean Peninsula Energy Development Organisation (KEDO) – led by South Korea, Japan and the United States – is supervising their building in return for North Korea's freezing of its weapons-grade nuclear programme. The work is part of a 1994 agreement interrupted by last September's incursion into southern waters of a North Korean submarine.

Ougadougou film festival

Africa's premier film festival opens in Ouagadougou, the capital of Burkina Faso, west Africa. The 15th *Festival Pan-Africain du Cinéma et de la Télévision d'Ouagadougou* (FESPACO) features entries from many of France's former colonies. Originally the inspiration of young film enthusiasts on a shoestring budget, it has produced critically acclaimed directors such as Sembene Ousmane and Souleymane Cisse.

Public holidays

Santa Lucia.

SUNDAY 23

Sampaio tours Macao

Jorge Sampaio, the president of Portugal, pays a state visit to China. The eight-day tour aims to foster bilateral ties as well as to mark the 10th anniversary of the signing of the Sino-Portuguese Joint Declaration, in which Portugal guaranteed to return its colony Macao to Chinese sovereignty in 1999. Mr Sampaio is to meet his Chinese counterpart Jiang Zemin and other senior officials. Issues of common concern include bilateral trade and business opportunities, as well as the transitional steps towards Macao's return.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Monday: German M3 figures due this week are expected to show money supply grew strongly last month. The Ifo index of German business sentiment, due this week, is expected to have fallen again in January.

Tuesday: The UK is expected to have recorded a public sector repayment last month helped by a rise in company tax receipts.

Wednesday: US consumer price inflation is forecast to have fallen slightly last month. UK retail sales are expected to have rebounded modestly last month. The minutes of the January UK monetary meeting between the chancellor and the Bank of England are published.

Thursday: The Confederation of British Industry's latest survey and forecasts will illustrate the impact of the strong pound on growth. UK M4 money supply is expected to have expanded rapidly again last month. The Bundesbank council meets to discuss German interest rates.

Friday: UK gross domestic product figures are expected to show strong consumer spending helped drive economic growth in the fourth quarter.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	December industrial production†		0.3%P
Feb 17	Germany	January final cost of living, west*		0.3%
	Germany	January final cost of living, west**		1.4%
	Germany	January final cost of living, pan*	0.4%	0.3%
	Germany	January final cost of living, pan**	1.7%	1.4%
	Canada	December manufacturing new orders	1.0%	1.9%
	Canada	December manufacturing shipments*	0.8%	3.0%
	Japan	January money supply, M2 plus CD**	3.2%	3.2%
	Japan	Broad liquidity**		3.6%
Tues	Japan	Dec overall personal cons expend**	-0.3%	1.7%
Feb 18	Japan	Dec personal cons expend (workers)**		3.1%
	Japan	December income (workers)		3.4%
	UK	January public sector borr req	-£3.4bn	£2.1bn
	Canada	January leading indicator†*	0.6%	0.7%
	US	BOT-Mitsubishi February 15		0.9%
	US	Redbook Feb 15		2.5%
Wed	France	November current account	FF8.0bn	FF13.4bn
Feb 19	UK	January retail sales*	0.2%	-0.8%
	UK	January retail sales**	3.8%	2.8%
	US	January consumer price index	0.3%	0.3%
	US	Jan cons price index, ex-food, energy	0.2%	0.1%
	US	December trade: goods and services	$9.5bn	$8.4bn
	US	Dec goods and services export (BOP)	$71.3bn	$72.0bn
	US	Dec goods and services import (BOP)	$81.5bn	$80.4bn
	US	January real earnings		1.1%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	Mexico	Gross domestic product 1996**	4.5%	6.2%
Thurs	Spain	December industrial production**	4.5%	-1.9%
Feb 20	Spain	December industrial production†**	1.1%	0.2%
	UK	January M4*	0.8%	-0.2%
	UK	January M4**	9.0%	9.6%
	UK	January M4 lending	£7.0bn	-£3.8bn
	UK	Jan build soc net new commitments	£3.6bn	£3.5bn
	US	January housing starts	1.40m	1.33m
	US	Initial claims Feb 15		309,000
	US	State benefits Feb 8		2.432m
	US	February Philadelphia Fed index		11.3%
	US	M2 week ended February 10		$2.6bn
Fri	UK	February CBI industrial trends		n/a
Feb 21	France	December industrial production*	0.4%	0.2%
	France	December indust prodution, ex-energy*	0.2%	-0.3%
	UK	Fourth quarter GDP*** (revised)	0.8%	0.8%
	UK	Fourth quarter GDP** (revised)	2.6%	2.6%
	Canada	Jan cons price index, all items*	0.1%	0.0%
	Canada	Jan consumer price index, all items**	2.1%	2.2%
During the week...				
	Spain	December trade balance	-Pta130bn	-Pta140bn
	Germany	January producer price index*	0.2%	0.0%
	Germany	January producer price index**	0.6%	-0.3%
	Germany	January private lending, 6mth annual	7.5%	7.7%

*month on month, **year on year, ***qtr on qtr, †seasonally adjusted *Statistics, courtesy MMS International.*

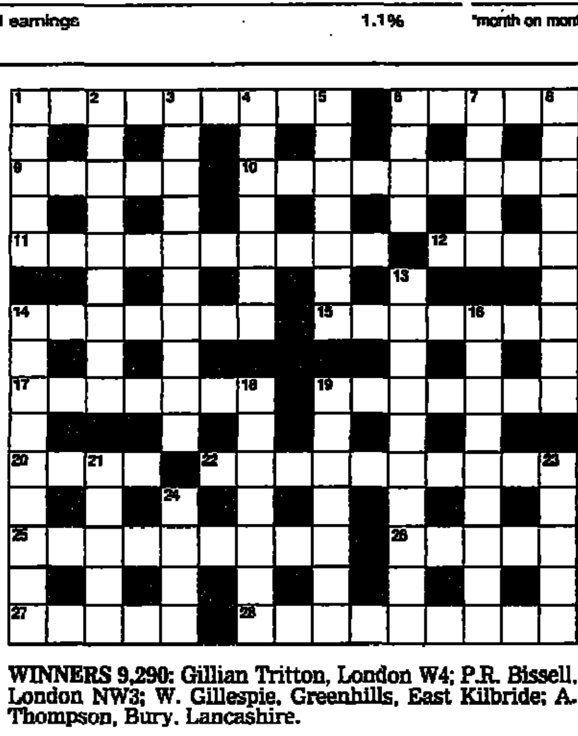
MONDAY PRIZE CROSSWORD
No.9,302 Set by GRIFFIN

ACROSS

1 Young people of different ages enter (9)
6 Not a one-dimensional vessel (5)
9 Hitch both umbrellas inside it (5)
10 Repaired faulty oven when scolded about it (9)
11 Having irate pater to sort out, send back home! (10)
12 Fish daily (4)
14 They support children during their ups and downs (7)
15 Hideous bra came undone: (7)
17 Not allowed to show result (7)
19 To us swallows can, and other birds (7)
20 Nothing bearing running water (4)
22 Accepting fate as rebuilding of attic fails (10)
25 Soldiers caught politicians behind clergymen's houses (9)
26 Hiding oneself inconspicuously like a fairy (5)
27 Man could be after length of thread (5)
28 Aunt managed to recover, of course (9)

DOWN

1 Missing name turn round to teacher (5)
2 Furnish many a hospital with supplies (9)
3 No top story-teller takes part of judge (10)
4 Cooks swear serviceman stands inside and eavesdrops (7)
5 Can and must write about a sacred place (7)
6 A wicked upbringing is not recorded (4)
7 Cut a large amount up before church (5)
8 Having no jockey means there's no added clauses (9)
13 Examiner returns ice-cream (10)
14 Cold nurse upsets rogue (9)
16 Fair description of a supermodel? (9)
18 Joy has no sex-appeal? Drink up! (7)
19 Crossing it, ran into back street first (7)
21 Needs trousers when going topless! (5)
23 Sweet tin dirty at both ends (5)
24 501 will be executed (4)



WINNERS 9,290: Gillian Tritton, London W4; P.R. Bissell, London NW3; W. Gillespie, Greenhills, East Kilbride; A. Thompson, Bury, Lancashire.

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday February 27, marked Monday Crossword 9,302 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 3. Please allow 28 days for delivery of prizes.

Name..

Address.......................................

....

Solution 9,290